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INTERVIEW

'At Orchid we stepped in to fill gaps in the hotel industry and serve Nigerians better' Pg 8&9



BOTTOM LINE

Total Nigeria earnings surge back to pre-pandemic levels Back page

MONEYCENTRAL



MARKET MOVING NEWS, DATA & ANALYSIS

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N200

Banks pass CBN stress test setting stage for pullback in forbearance

As COVID-19 forbearance borrowers hold 37.72% of banking industry loans

PATRICK ATUANYA

A recent stress test conducted by the Central Bank of Nigeria (CBN) on banks in view of restructured industry credit portfolios as a result of the coronavirus lockdowns showed that banks could still comfortably meet capital requirements, setting the scene for a gradual pullback in forbearance.

"Stress test results in this respect also showed that industry solvency and liquidity positions were at comfortable levels and could withstand mild to moderate shocks in the short to medium term," Ahmad Aishah, Deputy Governor, Financial Sys-

Continues on page 14



Nigerian CBN governor, Godwin Emefiele



From L-R: Charles Odum, Head of Corporate Partnerships at MoneyCentral, Dr Akintoye Akindele, Chairman of Platform Group, Adeniyi Aofolajuwonlo Managing Director at MoneyCentral and Melody St. Claire Ogeawuchi, Senior Analyst at MoneyCentral, at the showcase of Tech Startup Ecosystem at the Unicorn Tech Hub, Unicorn Incubation Campus, Yaba in Lagos.

COMPANIES & MARKETS

NASD records pre-tax loss of N11.9 million for 2020

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INSURANCE HUB

Banks holdco structure turmoil to spur insurance penetration

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ANALYSIS

Nigeria's Access Bank faces tough competition in South Africa venture

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LIFESTYLE

Elevating your dining room



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MARKET EAR

Nigerian stocks deliver highest dividend yields in Africa

Pg. 15

NSE INDICES (WEEKLY)

All share
38,667.90
0.21%

NGX 30
1,620.89
0.2%

BONDS/FORWARD

FGN
23-JUL-30
12.56

FX (\$/N)
29-JUN-22
436.48

BDC Exchange Rates

Buy
490

Sell
500

\$ - NGN
694

£ - NGN
705

€ - NGN
595

COMMODITIES

BRENT (ICE)
72.93
USD/bbl
0.70

GOLD Spot
1,795.50
USD/t.oz
8.16

Bitcoin (BTC)

\$33,784
N17.06 M

INSURANCE

Nigerian insurers' improved ROE's fail to drive valuations

BALA AUGIE

Nigerian listed insurers, generating profit from the money that investors have put in the business, have yet to reap the benefit in their stock valuations.

The average return on equity (ROE) for the largest companies

has risen to 15.69 percent in June 2021 from 14.66 percent as at June 2020, according to data gathered by MoneyCentral.

Return on equity (ROE) measures a corporation's profitability in relation to stockholders' equity. It is calculated by dividing

net income by total shareholders' equity.

A higher return on equity indicates that a company is effectively using the contributions of equity investors to generate additional profits and return the profits to investors at an attractive level.

Investors have found that ROE is a much better metric at assessing the market value and growth of financial institutions.

The moderate growth in returns to equity holders spanned from premium growth and rising bond yields since the start of the

year that added much impetus to investment income; and the uptick in fixed investment securities made up for rising claims, underwriting, and management expenses.

Despite the coronavirus pan-

Continues on page 14

What do you need to protect your business?

- Business Officers and Content Insurance?
- Occupier's Liability Insurance for Visitors?
- Motor Vehicle Insurance?
- Employees' Life Insurance?
- Other Assets and Liabilities Insurance?

ALL IN ONE COVER:



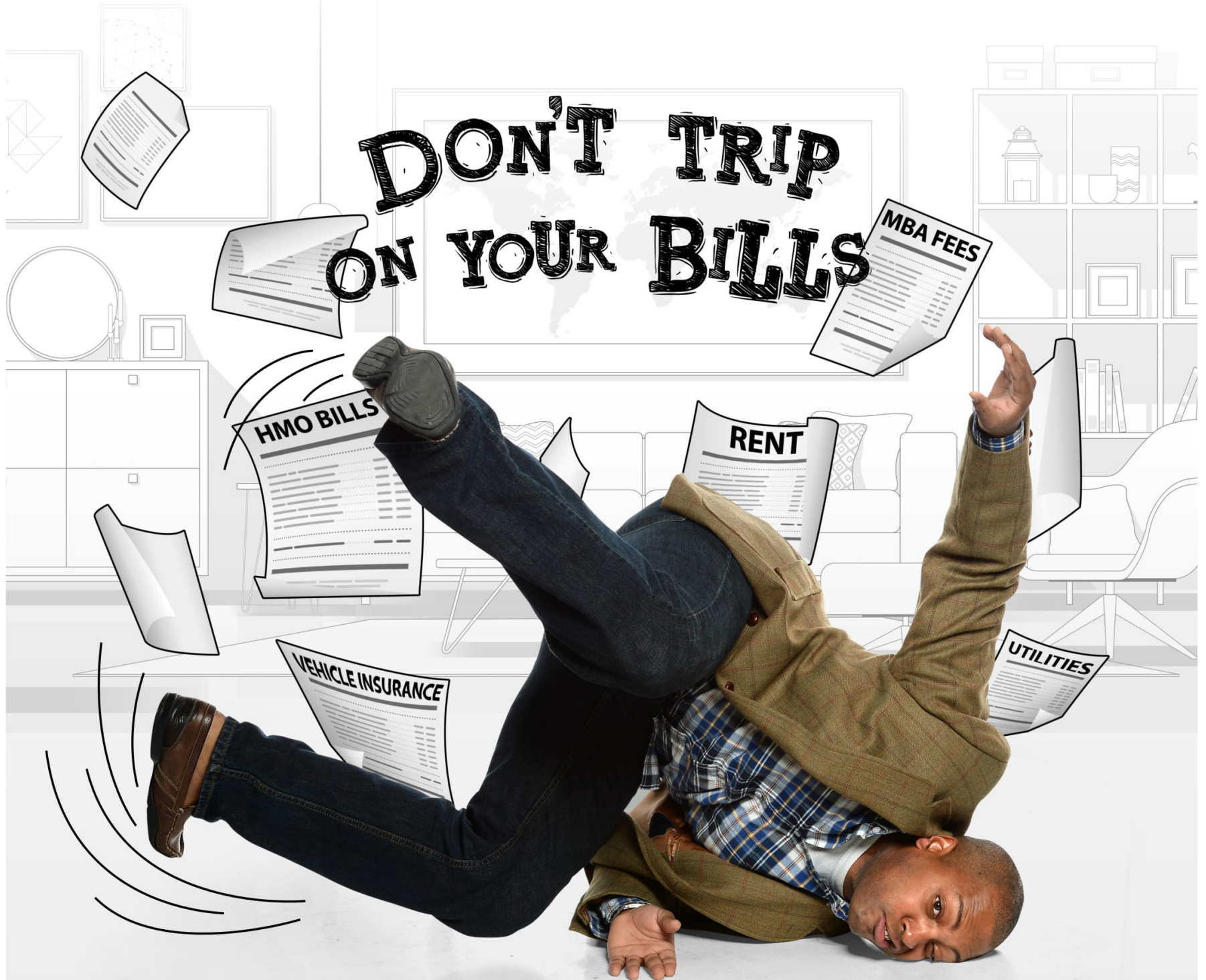
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NATIONAL

Naira NAFEX rate to jump to N485/\$1 on REER appreciation – EIU

JESSICA MAURICE

The Economist Intelligence Unit (EIU) in a country report on Nigeria released last week, forecasts that it expects the naira NAFEX rate to hit N485 per \$1, in 4 years on the back of REER appreciation which is engendering external imbalance.

“Increasing currency misalignment means that REER appreciation will continue and, with oil prices expected to slide again in 2025, another devaluation is expected in that year, to N485:US\$1 (a level required to stabilise the REER),” the EIU said.

The Real Effective Exchange Rate or (REER), is an indicator of the external competitiveness of a currency. It is the weighted average of a country’s currency against a basket of other major currencies (after adjusting for inflation differentials).

The REER is expressed as an index number relative to a base year.

Nigeria now uses the NAFEX as an official rate, after ending the use of the Central Bank of Nigeria (CBN) official rate.

The NAFEX rate, which was established in 2017, is more flexible than the defunct CBN rate but is nonetheless tightly

managed, as demonstrated by a parallel rate of about N500: \$1 versus N410: \$1 for the NAFEX—a spread that has been widening since May.

Foreign reserves have been in decline since a brief rise in early April, indicating a net outflow on current transactions despite firmer oil prices, while capital inflows have not recovered from the legacy of de facto capital controls in 2020.

The EIU forecasts that world oil prices are expected to stay relatively high up to 2023, at an average of

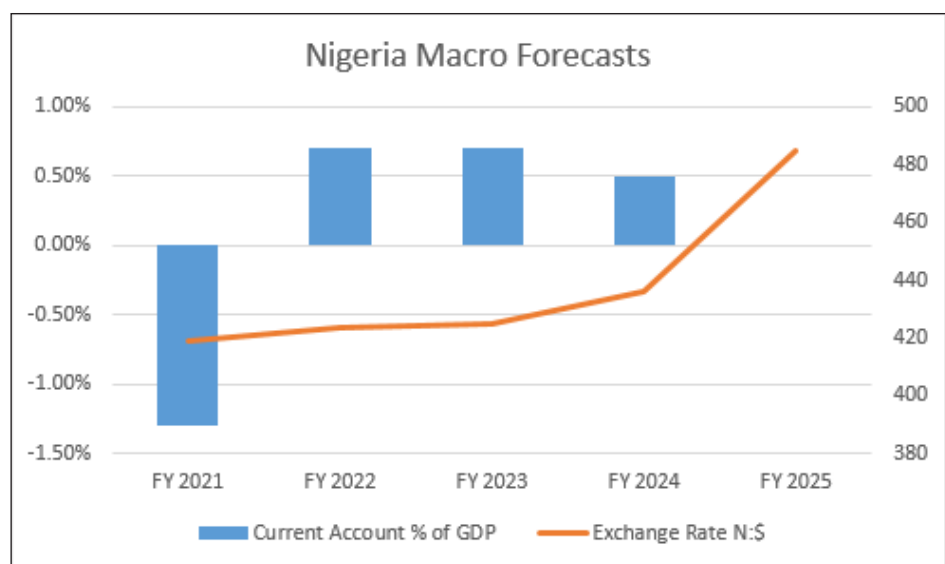
US\$67.5/b.

In the near term, however, REER appreciation will create deep trade and service deficits by promoting imports, and a third consecutive year of current account shortfall—equal to 1.1 percent of GDP is forecast in 2021.

“This will turn to a surplus averaging 0.6 percent in 2022-24 as new refining capacity becomes available (lowering petrol import volumes and increasing exports), OPEC+ quotas are relaxed and world oil prices continue rising,” the EIU said.

“A trade surplus resulting from these factors will more than offset a large ongoing shortfall on the services account (driven by continued REER appreciation) and a primary income deficit caused by profit repatriation by multinationals in the oil sector as world crude prices rise.”

Remittances from the large Nigerian diaspora should also recover to pre-pandemic levels, encouraged by exchange-rate incentives introduced by the CBN in early 2021, according to the EIU.



Source: EIU

EMPLOYMENT

Nigeria's active labour force plunged by 20 million in two years – World Bank

AKIN AKINBOBOLA

The number of Nigerians active in the labour force plunged by 20 million between 2018 and 2020, the World Bank has said.

The bank said this in a report titled ‘Of roads less travelled: Assessing the potential for migration to provide overseas jobs for Nigeria’s youth.’

It said prior to the significant drop in active labour force recorded between 2018 and 2020, there was considerable growth in the working-age population and the active labour force population from 2010.

According to the report, the country is currently going through one of its worst unemployment crises in recent times.

It said, “Between 2014 and 2020, Nigeria’s working-age population grew from 102 million to 122 million, growing at an average rate of approximately three per cent per year. Similarly, Nigeria’s active labour force population, i.e., those willing and able to work among the working-age population, grew from 73 million in 2014 to 90 million in 2018, adding 17.5 million new entrants to Nigeria’s active labour force.”

“Since 2018, however, the active labour force population has dramatically decreased to around 70 million — lower than the level in 2014 — while the number of Nigerians who are in the working-age popu-

lation but not active in the labour force has increased from 29 million to 52 million between 2014 and 2020.”

The World Bank said the expanding working-age population, combined with scarce domestic employment opportunities, was creating high rates of unemployment, particularly for Nigeria’s youth.

It said due to the rate of unemployment and other socio-economic challenges facing Nigerians in the last 10 years, there had been a massive increase in the number of citizens seeking asylum and refugee status in other countries.

The report said, “Combined with significant demographic changes and increased aspirations of the youth, Nigeria’s unemployment crisis is creating migratory pressure in the economy.”

“Unemployment is considered to be a key driver of migration. Consequently, multiple surveys show that the number of Nigerians who are looking to migrate internationally is high and increasing.”

The bank noted that although the country seemed to be reaping dividends from the success of its citizens in the diaspora, which contributed five per cent of its Gross Domestic Product in 2019, “the narrative around international migration to the discourse on international migration is worrisome.”

INFRASTRUCTURE

Julius Berger announces major road diversion on Lagos-Sagamu expressway

SEUN PETERS

The nation’s leading construction company, Julius Berger Nigeria Plc has announced a major road diversion on Lagos-Sagamu Expressway to allow for detailed work on sections of the project.

According to the Project Team for the reconstruction and rehabilitation of the expressway, there will be traffic diversion at two locations of the expressway for the continuation of the ongoing bridge works at Eldorado and Lotto Junction, respectively.

The Eldorado diversion

will take place in two phases as follows.

Phase 1 will include temporary diversion of traffic on Ibadan bound carriageway, from a section before Eldorado, CH 37+500 to a section after Eldorado, CH 37+900 (400m stretch). This will take place between July 26, 2021 and July 30, 2021 for the installation of cross beams on both sides of the expressway, after which both sides of the expressway will be reopened to traffic.

In addition, beginning from August 9, 2021 through to November 9, 2021 the Phase 2 of the diversion will

be implemented for the installation of deck slabs, parapets and hand railings on both sides of the Eldorado Flyover.

Also, effective from July 30, 2021, Lagos bound traffic will be diverted to the Ibadan bound carriageway, from a section before Lotto Junction, CH 24+800 to a section at Deeper Life Conference Centre, CH 23+800, with two lanes each in opposite direction using temporary median dividers. The purpose of the diversion is to allow for the safe installation of cross beams, bridge deck slabs and parapets on the ongoing bridge works on the Ibadan bound carriageway, which will last for 12 weeks.

According to the Head of Media Relations Office of Julius Berger Nigeria Plc, Prince Moses Duku, the LSE Project Team, being conscious of the road traffic implications of the intended works on road users plying this strategic and ever-busy expressway, has finalised plans to put mitigating measures in place ahead of the commencement of works. Such mitigating measures will include, display of advanced warning signs for road narrowing and for necessary speed restriction, he said.



POLITICS

Obaseki receives names of screened nominees for political appointment, reassures on realization of agenda

SEUN PETERS

The Edo State Governor, Mr. Godwin Obaseki, on Friday received names of screened political nominees to be appointed into his cabinet, with the assurance that the government will appoint only those who are committed to supporting the administration’s agenda of developing the State.

Receiving the report of the 15-man committee led by Prof. Dennis Agbonlahor, at the Government House in Benin City, Obaseki expressed satisfaction with the job done by the committee.

The governor noted: “We must have a clear demarcation between political and technical roles in government. The purpose of political appointments in government and the role of civil servants are different and should not be mixed.”

“Political office holders set the agenda following the mandate given to them by the electorate. They come into office to give directions while the civil servants do their work, as they work together in harmony to develop the State.”

Obaseki said the reason for the screening exercise is to bring



in politicians with the mentality to serve the people rather than politicians who will come to frustrate the system and steal the resources of the State.

According to him, “they must have the interest of the people at heart, participate in the development of their communities, and support the administration’s agenda to develop the State.”

“Political appointees must deliver on their responsibilities and duties as they will be evaluated based on their performance. Our party is working to ensure that we carry everybody along.”

“We must win the heart of our people by fulfilling our electioneering promises and ensure our party continues to serve Edo people,” he added.

He thanked the Committee for helping the State build a database of people believed to be politically active and ready to serve Edo people, adding, “We would continue to add to this list and database as it will enable us to reach out to others as not everyone will get an appointment now; I believe that the expansion of our policies will create room for more appointments into our government.”

NATIONAL (NORTH)

Gombe partners Notore Chemicals on rice production

... willing to partner investors for economic advancement – Gov. Inuwa

ABDULWAHEED OLAYINKA
ADUBI, Kaduna

Governor Muhammadu Inuwa Yahaya has assured investors that Gombe State is ready and willing to receive and partner any individual or group wishing to advance the economy of the state through legitimate business, that will at the long run guarantee job creation and enhance productivity.

The Governor stated this when he granted audience to a delegation from Nomier Group, owners of Notore Company led by its chairman Mr. Jite Okoloko at the Government House, Gombe.

Governor Yahaya informed his guests that his administration has concluded arrangements and processes for the establishment of the Gombe Industrial park that has provision for agro-allied industries with the compliment of the 40 megawatts Dadin kowa Hydro electricity plant.

“So that will be an opportunity for you to expand more knowing fully well that you are equally interested in Agricultural production not only in producing fertiliser and chemicals. Aside from the Dadin kowa Dam we have two more Dams making it 3 all together, Balanga Dam and Cham Dam and even along the coast of Gongola river basin that comes from



Governor Muhammadu Inuwa Yahaya and Map of Gombe State

Plateau state through Bauchi, through Gombe and ends at Kiri and Numan joining river Benue there is a lot of fertile land that needs the attention and the cooperation of people that have the knowledge, finances and the capacity to increase productivity. So your idea of coming to see how you can produce rice is a very welcome development to us. We shall join hands with you to achieve that lofty objective.”

He said the location of Gombe at the centre of the North East and being the most peaceful among the six states

in the zone with number one status in ease of doing business, places it at a vantage position of production, marketing and distribution.

The Governor disclosed that the North East has a market of about 22 million people and that being the most peaceful State, the people inter-relate not only with the remaining 5 states but with Kano, Kaduna and other parts of the north and Nigeria in general.

“Not only that, Cameroon which is at our southern end through Adamawa and Borno and Chad and even Niger

Republic through Yobe and Borno States are all close to us and we have very good and peaceful business relationship with them but not for the issue of this insurgency which we have been able to overcome and which we are trying to make sure it doesn't extend to other parts of the north East.”

The Governor urged the management of Notore Company Plc to feel free and explore more possibilities because the State is not only blessed with arable land and people but with solid minerals and human resources.

INTERNAL DISPLACEMENT

Zulum visits lake Chad shores, offers cash to resettled residents

ABDULWAHEED OLAYINKA
ADUBI, Kaduna

Borno State Governor, Professor Babagana Umara Zulum last Thursday, the third Sallah day travelled to Wulgo, a community in Ngala local government area on the shores of Lake Chad.

The Governor supervised distribution of cash relief to male and female heads of resettled families and interacted with all residents to identify their problems with a view to addressing it.

Zulum also inspected educational and health facilities, and gave instructions for the rehabilitation of two primary schools as well as a primary healthcare centre, to address the needs of the community.

Governor Zulum later interacted with officers and soldiers of the Multinational Joint Task Force (MNJTF) Command in Wulgo.

On ground to receive the Governor, was the Cameroonian component officer who is the MNJTF's operations commander in Vulgo, Lt. Col. Njock John.

The Cameroonian component officer, noted that Zulum's regular support to the



command has enhanced their operational capacity in the counter-terrorism war.

“Your Excellency, we can't thank you enough. Those vehicles that you have seen coming are because of you. All those MRAPs and other ones, it is with your support we are able to bring them back to life and normal state of operations. We can never pay you enough for that, because by your gesture, you have pulled us back to really good operational capacity. This war, we wish it to end as quickly as possible, and with the type of action, with the type of support you have been giving us, we are sure that the end is coming soon,” Njock said.

POLITICS

APC suspends ex- Benue federal lawmaker, 2 others

GEORGE KAJO, Makurdi

The Kwande Local Government chapter of the All Progressives Congress (APC) in Benue state at its stakeholders meeting suspended three of its members including the immediate past member of the House of Representatives for Kwande/Ushongo federal constituency, Barr. Benjamin Wayo over anti party activities.

Also recommended for suspension is the former senatorial candidate of the party for Benue North East in the 2019 general election, Mrs. Mimi Azape - Orubibi and the Kwande local government chairman of the party, Mr. Iorfa Dzoho.

The meeting which was held at the residence of the party leader in Zone A, Barr. Vincent Uji frowned at what it referred to as “the treacherous actions of some of their members who have constituted themselves into a gang that constantly engages in dishonest practices with the aim of disrupting the peaceful state of the Kwande chapter of the party.”

“The few members have for sometime now been found wanting by engaging in worrisome activities such as the attempted removal of the leader of Kwande APC stakeholders and the unguarded public utterances against the party and its leadership.”

“The Kwande APC stakeholders view these actions as deliberate attempts to cause disaffection and indeed wreak havoc on the entire Benue APC



Mimi Azape - Orubibi

before eventually defecting to other political parties, based on information at our disposal.”

The party unanimously resolved to identify and sanction them at various levels and be suspended indefinitely from participating in the stakeholders activities of the party at the Local Government.

The stakeholders also recommended the affected erring members to the State Working Committee of the party for more appropriate sanctions.

A statement by Daniel Orngu, coats the party as appreciating the leader of the party in the state, Senator George Akume for reaffirming Barr. Vincent Uji as the authentic leader of Kwande APC stakeholders.

It will be recalled that Mimi Orubibi in a recent outing where she hosted Internally Displaced Persons camps in Benue state had decried their contentious stay, saying the President Muhammadu Buhari led APC has failed in its responsibility of protecting lives and property of citizens.

POLITICS

Gov. Sule's lands commissioner suspended for working against APC

NATHANIEL GBAORON, Lafia

The leadership of All Progressives Congress (APC) in Nasarawa Eggon Local Government Area of Nasarawa State, has suspended the state Commissioner for Land and Survey, Dr Salihu Alizaga over insubordination to the party in the area.

Mr Malle Moses, the Chairman, Caretaker Committee announced the suspension after he constituted a seven man committee to investigate the allegation levelled against the commissioner by the APC Leadership of Nasarawa Eggon / Alizaga ward.

He said that the suspension of the commissioner was to pave way for thorough investigation into his alleged insubordination to party leadership in his ward.

“As you can see, we have received a formal complaint/petition against Hon Dr Ahmed Salihu Alizaga from the APC leadership of Nasarawa Eggon/ Alizaga ward, that is his ward. We have decided to constitute a seven man committee to investigate the allegation levelled against the commissioner by the party leadership of his ward. It is in view of this that the leadership of the party at the

local government level decided to suspend the commissioner pending the outcome of the investigation,” he said.

Moses urged the committee to do a thorough job in the interest of the party and for the

overall development of the country. He urged stakeholders of the party in the area to work in unity in order to take the party to greater heights.

Earlier, Mr Umar Dahiru, the Secretary, APC, Nasarawa Eggon

local government while reading the formal complaint/ petition against the commissioner said that the commissioner has been interfering in the affairs of the party in his ward without the permission of the party.



L-R: Oloro of Oro Kingdom Oba Abdulrafu Olaniyi Ajiboye; Alhaji Raheem Adedoyin; Kwara State Governor AbdulRahman AbdulRazaq; President, Newspapers' Proprietors Association of Nigeria and Chairman International Press Institute Mallam Kabiru Yusuf; businessman Alhaji Jani Ibrahim; APC chieftain Alhaji Moshood Mustapha; and Publisher of Premium Times Dapo Olorunyomi; during a public lecture to celebrate Adedoyin's 60th birthday anniversary, in Ilorin, on Friday.

NATIONAL (NORTH)

FEATURE

His Midas' touch and the Bagudu's example on education

ABDULWAHEED OLAYINKA ADUBI

It is an ineluctable fact that benefits of education are societal and personal.

It is also observed that any society with high rate of education completion have lower crime, better overall health, and civic involvement. Beyond the need for workers to fill specific jobs, there are grander reasons to encourage people to be educated, being the reasons the executive governor of Kebbi State, Abubakar Atiku Bagudu is prioritizing the education of his people.

More so, education leads to economic prosperity in the global marketplace. One of the most important effects education has on society is giving the people who live in a society the skills they need to compete in the global marketplace, and the skills they need to produce technological goods or services that can be sold on the open market.

It is on record that the educational sector in Kebbi had previously suffered serious neglect by previous administration but today under the leadership of



Governor of Kebbi State, Abubakar Atiku Bagudu

Bagudu, the sector has witnessed tremendous turn around, creating a good atmosphere for learning and teaching process.

However, the change mantra of Senator Abubakar Atiku Bagudu has extended its olive branch to the sector. The story is now a happy one.

In the last five years, the Kebbi State Government undertook massive renovation and reconstruction of new and existing primary, secondary and tertiary institutions across the state. It will be recalled that, even before he was sworn in as the governor of the state, he made numer-

ous unscheduled visits to primary and secondary schools, as well as some tertiary institutions in the state, with a view of having fast hand information and personal assessment of the schools in the state.

In his inaugural speech on the 29th May, 2015, he noted that the sector is in a shambles, schools over stretched without qualified teachers and structural infrastructure like classes, toilets and dormitories are in ruins over the years.

To demonstrate his determination to overhaul the educational sector in the state, education received the highest allocation in his maiden budget.

Governor Bagudu doled out over 5 billion Naira for the renovation of both primary and secondary schools in the state, including setting aside additional funds for the purchase of assorted learning materials in that same year to 2016.

Governor Bagudu is one of the governors not only in the northern part of the country but in Nigeria at large that has continuously and physical in-

spected schools' facilities.

In keeping with his electioneering campaign promises, the Governor set the ball rolling in the educational sector by embarking on massive public schools rehabilitation to the tune of billions of naira, with the aim of improving and changing the educational sector, as well as making schools students' and teachers' friendly for learning.

Since he assumed office as the number one citizen of the state, he had awarded a contract for the renovation of 25 secondary schools across the state.

The schools cut across the six zones; Argungu, Birnin Kebbi, Bunza, Jega, Yauri, and Zuru. To further enhance teaching and learning. In 2019, Governor Abubakar Atiku Bagudu also approved the recruitment of a large number of teachers for schools across the state. Girls secondary Schools across the state from each of the 4 senatorial zones were provided with new busses to facilitate their movement, to take part in sports and extracurricular

activities, within and outside the state.

More so, as responsible leader, since he assumed office, Governor Abubakar Atiku Bagudu has ensured the prompt payment of scholarship to students studying at various institutions of higher learning, within and outside the state, including the payment of WAEC and NECO examination fees for secondary School students of the state, this is an effort that the residents of the state considered as kind hearted nature of him.

It is also on record that; the Kebbi Government had upgraded three higher institutions which are under the Ministry for Higher Education. The Permanent Secretary of the Ministry for Higher Education in the State, Dr.

Isa Muhammad Sama, confirmed the development. The three institutions upgraded are Adamu Augie College of Education, Argungu, the Kebbi State School of Nursing and Midwifery, Birnin Kebbi and the School of Health Technology, Jega.

- Adubi writes from Kaduna

INTERVIEW

How i was kidnapped and released in Benue – Revd Fr Mkperaga

Reverend Fr. Clement Mkperaga is the Parish Priest of Holy Family Parish, Karim Lamido in the Catholic Diocese of Jalingo, Taraba state. In this interview with our Benue Correspondent, **GEORGE KAJO**, the man of God shares his experience in the hands of kidnappers. Excerpts...

Can you unveil yourself briefly?

I'm Reverend Fr Clement Mkperaga, a priest in the Catholic Diocese of Jalingo in Taraba state. Currently, I'm working at the Holy Family parish.

So, what is your mission in Benue state?

Well, my school mate, Mr. Samuel Adoluwa invited me to come and preside over his wedding on the 8th of June, 2021. So, when I was coming from Taraba and on reaching Zaki - Biam in Ukum local government area in Benue state and heading towards Mbatom, I saw plenty of vehicles lined up on the highway with some people in military uniform. Even when I saw them, I thought it was a military checkpoint and was driving through and some of them were showing me a way to pass through.

On driving closer, I discovered it was robbers who were collecting



Reverend Fr. Mkperaga

telephones, money and other valuables from their victims. I was removed from my car and one other person was taken into the bush which was very far away from the main road. On arriving at their den, I

told them that I'm a Reverend Father and asked them that, amongst all the people jam packed on the road, is it only the two of us that you will kidnap? Then, their Commander asked; are you a Reverend

Father? I answered yes. Then, the Commander told his boys, "I sent you to go and kidnap people and not a Reverend Father. Please take him back quickly." I was led back on the same bike to the point I was kidnapped.

Which place precisely did they take you to and how many people did you see in their den?

Well, I don't know the area because it was my first time seeing that jungle and I saw two of the Commanders there and the motorcycle rider that conveyed us to the den. They initially collected my telephones but after knowing that I'm a Reverend Father, they returned it back to me and I was unhurt.

So, what is your opinion about the security situation in the country?

Well, there was this saying by Baba T.Y. Danjuma, if you can't protect yourself in Nigeria, you are on your

own. Our security situation is compromised and zero. It is the security agents that are 'fueling the crisis' in the country. At the point I was kidnapped, there were two military checkpoints in between. However, no single soldier came to my rescue. So, I can say that the security situation in Benue state and its environs is almost zero.

As a Reverend gentleman who found himself in 'sinners' den. Did you spare time to pray for them to repent and seek salvation?

Yes, when they came and dropped me by the road side, I made a sign of the cross and said, "may God bless you in the name of the Father, and of the Holy Spirit". Recall that a thief changed his heart and repented and Jesus Christ said, "you will be with me in paradise. So, those kidnappers, if they change their old ways, they can receive salvation.

If you are in a position to advise the government on security matters. What would you say?

I will recommend serious workshops for security agents and strict monitoring on their operations. If found wanting, they should be severely sanctioned such that collection of money on road blocks must stop. Today, security agents are involved in destroying houses and receiving bribes from criminals such that in the course of their operations, they (security) agents seem not to go for rescue. See what happened at Anyiin in Logo local government area when Dr. Terkula Suswam and his aide were shot dead in broad daylight and the killers fled till date. So, the government should scrutinize properly before recruiting persons into any of the security forces so as to avert cases of criminals getting into the system.

EDITORIAL

Chart of the week

Key indicators

	2020 ^a	2021 ^b	2022 ^b	2023 ^b	2024 ^b	2025 ^b
Real GDP growth (%)	-1.8	1.5	3.0	3.9	3.8	1.7
Consumer price inflation (av; %)	13.2	17.3	12.4	11.2	10.0	12.5
Government balance (% of GDP)	-3.7	-3.3	-3.1	-2.6	-2.6	-3.0
Current-account balance (% of GDP)	-3.9	-1.3	0.7	0.7	0.5	0.0
Money market rate (av; %)	1.6 ^c	2.1	4.5	7.2	7.1	7.0
Exchange rate N:US\$ (av)	356.3	406.5	422.4	424.1	431.7	458.1

^a Actual. ^b Economist Intelligence Unit forecasts. ^c Economist Intelligence Unit estimates.

When Central Bankers Become Worried

Central Bankers are often known to be calm and not rock the markets too much with statements that could be interpreted one way or the other as being negative or showing that they have lost control of the macro situation.

Nigerian Central Bankers are however very candid in their statements, often expressing worry over their inability to move the macroeconomic space in whatever direction they seek, whether it be lower interest rates or lower inflation and sometimes pointedly push the problem off to the fiscal authorities.

With the 280th meeting of the Monetary Policy Committee (MPC) scheduled to begin today (lasting for 2

days), the members of the committee face many conundrums with regards to their approach to monetary policy.

The MPC noted at its last meeting that economic growth could be hampered in an environment of unstable prices.

To this end, the choice (before them then) was between loosening the stance of policy to ease credit further or tighten to moderate price development or maintain a hold stance in order to allow previous policy measures continue to permeate the economy while observing global and domestic developments.

In the end a majority of the members chose to hold, which in itself was probably the safest thing to do.

However, many MPC members expressed concerns in their personal statements.

Adenikinju Adeola Festus, an economist and MPC member notes that: "The economic re-

covery rate is still very weak and fragile. Poverty and unemployment rates are still quite high. There are many headwinds assailing the domestic economy. Domestic inflation is still unacceptably high and is putting pressures on domestic interest rates. It is also affecting the standard of living of Nigerians. Exchange rate speculations are fueling depreciation of the naira in all the exchange rate windows. External reserves declined from US\$34.29 billion 20 in April 2021 to US\$34.13 billion in May 2021. We also continue to experience dual deficits in the BOP. There is a need for a major boost to Government revenue to reduce the rising fiscal deficit and narrowing of fiscal space. The subsidy on petroleum products and the poor performance of refineries are issues that need immediate attention. As a country, our excessive dependence on oil

for revenue and foreign exchange sustenance is no longer tenable in the medium and long term. We need to diversify the economic and revenue base of the economy to reduce our exposure to external shocks as well as prepare the economy for the global shift from fossil fuel to green economy. It should not be business as usual for our economic managers. The economy also needs a strong buffer to mitigate external volatility."

The conundrum in the statement above is that if the 'economic recovery rate is still very weak' then more stimulus in the form of monetary easing should be applicable. But as noted by Adenikinju the 'domestic inflation rate is still unacceptably high.' Which should ordinarily necessitate a rate hike or tightening.

To make matters worse things like boosting Government revenues, removing petrol

subsidies and fixing the refineries are outside the purview of the Central Bank.

To be fair to the Government at the center it has attempted some market reforms although they are largely seen by analysts as too little to move the needle on growth.

The Federal Government needs to then in conjunction with the CBN move those levers it is able to jumpstart private sector investments, portfolio inflows and job creation.

The Federal Government needs to then in conjunction with the CBN move those levers it is able to, such as its stated privatisation goal of privatising 36 state owned assets in 2021 to jumpstart private sector investments, portfolio inflows and job creation.

It often bodes ill for the rest of the citizens of a country when Central Bankers begin to openly express worries!

ECONOMIC CALENDAR

Monday, 26 JULY 2021

NATIONAL BUREAU OF STATISTICS (NBS)

• Crime Statistics: Reported Offences by Type and State (2020)

CENTRAL BANK OF NIGERIA (CBN)

• The 280th meeting of the Monetary Policy Committee (MPC) is scheduled to begin

NIGERIAN EXCHANGE (NGX)

• Institutional Client Engagement with the CEO, Temi Popoola

Thursday, 29 JULY 2021

NATIONAL BUREAU OF STATISTICS (NBS)

• JAMB Admitted Candidates by State and Gender within Faculty (2020)

NIGERIAN EXCHANGE (NGX)

• Engagement with Fund Managers

Our Vision

• No Fillers, Just Deep Analysis, Insight and Market Moving News

• MoneyCentral Gives You the Inside Knowledge to Help Grow your Money

• Real Financial Journalism at its Best Providing Actionable Market Intelligence for all Classes of Nigerians

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INTERVIEW

'At Orchid we stepped in to fill gaps in the

JONATHAN ODEGA is the Executive Chairman of Orchid Hotels. In this interview held with the MoneyCentral team of **Charles Odum** how hospitality is driving the Nigerian economy through job creation across various segments of the value chain and how Government is driving the economy from one location to another location in Lagos, in the Ikeja G.R.A, and other cities in Nigeria. This interview has been edited for length and clarity.

Can you tell us a little about who you are and when the dream of Orchid actually started?

My name is Jonathan Odega the senior, I am a building engineer by training and I set up my first construction company in 1987 along the line in my cause of travelling around to do projects, I discovered that there were many lapses in the Nigerian hotels and even the International brands.

I found out that most of the brands do not address the Nigerian interests and what I mean by this is the fact that I discovered that about 95% of the users of hotels in Nigeria are Nigerians but when you go in there you will find out that most of the indigenous foods are not actually found in those hotels, for instance, something like Pap and akara you hardly find it in any of their breakfast menus and it is something some of us grew up with and love so much.

Then the pepper soup is not made with the real Nigerian spices, also things like beans, I know a lot of men love beans and you hardly find them in any of these menus so when I discovered those things, I found out that there is a gap that needs to be filled; somebody needs to come in and bring the Nigerianess into the Nigerian hotels so that our people's interests are properly addressed.

Those were the initial things that began to ignite my interests in the hotel industry and I found out that the hotel industry is also a strategic industry.

If you want to grow tourism like they have in so many other countries, tourism is a major income earner for a lot of countries like Kenya and the rest of them. Nigeria has not de-

veloped that area, but if we want to develop it, we first of all have to prepare for it, the hospitality industry, hotels in particular must be ready, if you do not have accommodation, people cannot come in, there are big meetings they want to hold sometimes and if you do not have accommodation for them they cannot come around even internally here in the country.

I found out that there is a gap here that needs to be filled so continuing with my construction, we went from there into real estate development and of course when you get to such level where you begin to provide such facilities, you are very close to hotel development and of course we metamorphosed into hotel practitioners and that is how the Orchid brand was born.

How many years has Orchid been in the market place now?

The first Orchid brand opened in 2007 in Asaba so now we can say that we are about 14 years in the industry, the second brand opened 2010; that's where we are now, Orchid Hotels, Lekki. This one has up to about 250 rooms. We are building the third one in Ikeja GRA, that one is coming with 230 rooms, the construction is already in progress.

How were you able to do it, what kind of qualities or habits do you think you built up overtime that led to the buildup of Orchid hotel?

Basically, spirit of excellence and the determination to do the right thing the right way, like I said, the background is building engineering and if you have to run a hotel, it is a facility and the success of it starts from the design and com-

ing from that background, I understand that if you have to get it right, design must flow right, you have to be purposeful not that you buy two plots of land and you will build up everywhere, you do not consider the users, you do not consider parking, recreation, these are fundamental things that rub off on the success of the facility you have so coming from that background, I know that these are the requirements that must be done.

Of course the next line is that you have to construct with the right materials, all the time I hear people say that it is not about infrastructure, it is about management, that is not correct, even for the best manager, it is like doing a car race; if you have an excellent driver with a very poor vehicle, he is not going to do anything, he is going to fail and fail very woefully so if you have an infrastructure that is not working; (the AC leaks every day, the light is not working, the plumbing is in a mess, everywhere is smelling, there is no parking space) of course there is no magic that the operator is going to do to make it work.

This means that the infrastructure must be right; if the infrastructure is right other facilities, the soft part of it, it is easy, you can always train men, (to know how to smile at customers, how to produce good food at the right time, when they touch the switch light comes on, when they turn the tap, clean water gushes out at a good pressure, and then the space is well cooled and they have space to park, a place that is well-secured), that is what hotelling is all about in a nutshell.

Can you share with us how Covid-19 affected



Jonathan Odega (middle), Executive Chairman of Orchid Hotels with the MoneyCentral team.

Orchid hotels?

I think that in any thing that you succeed in, God factor is there, here in Orchid, we put God as number one, in all our businesses, we put God as number one so I believe that God helped us so much and apart from that basically the Orchid brand is mainly conferencing oriented facility and here, for instance, we have over 22 halls and they are all in different sizes.

We have a lot of space so you have a lot of space for recreation, parking and all of that, you will find out that during the Covid-19 wave, one of the major things people needed to have is a big space because of the issue of social distancing and such accommodation that people can move around (there is a lot of space between them and the next person) so I think all those things helped us, the fact that we have a lot of rooms, a lot of halls, a lot of outside space, it helped so that the big IOCs, the international companies that want their workers to still be at work somehow, but before they

go to work, they test them, put them in a temporary centre where they can be observed to be sure that they do not have issue before they send them to work offshore or somewhere, they needed this kind of space, so all those things helped us.

Are you saying that during the Covid-19 period, you still got patronage from some institutions?

Yes, we did very well, as a matter of fact we did a lot of business, in fact that was the period we had a very big business.

When you spoke earlier, you mentioned that you started from Asaba, then moved to Lagos. We have readers across the country; does Orchid have plans to establish hotels in other states in the federation?

Orchid intends to go round the country, especially the strategic states, and what I mean by this is the fact that every business has its own modus operandi.

It is not everybody that wants to travel to a particu-

lar area to go and do meetings for instance, like I said that we are conference oriented, so we have to look for those states that are strategic in terms of conferencing; the metropolitan states, the ones that want to do a lot of conferencing and all that, so we will start with them and we are going to go round all other strategic states

What kind of security measures do we have in Orchid that will give people comfort that they can come to Orchid and they will feel secured?

When you talk of security, one of the first rules is that the whole of your strength must not be known, so I am not going to tell you everything we have but I will just tell you on the surface, that may be enough for you to know, we have armed guards there all the time; 24 hours, we have our own intelligence, 24 hours; and we employ the use of technology to a very large extent, there is hardly anything you do here that you will not be picked.

How have you been able to manage operating costs overtime, you know, to keep the brand alive?

Again, you know there is this statement that when you pay peanuts, monkeys work for you.

So first of all, we are very conscious of our team we have a very strong team and what I mean by team are strong personnel, we do not just hire anybody and over



Hotel location (LAGOS) : Plot 3, Dreamworld-Africana Way, Lekki (2nd Lekki Toll Gate) after, Chevron Drive, Ologborogan 105102, Lekki

ANIES

hotel industry and serve Nigerians better'

and Azarat Haruna last week, ODEGA explains how his training as an engineer drove his passion for building and owning hotels, how the government can better assist the sector. The Orchid Hotel brand today has locations in Lagos and Asaba (Delta State), with planned expansion.



delivers the game.

Can you tell us, over these 14 years, what has been the most challenging thing or event that has happened to you in business?

Well, I think one of the most challenging things we ever had was power, there was a time when for almost 3 weeks, there was no light at all and our generators were on day and night operation and that is what gave birth to the fact that we now have spare so that even if there is no light for a whole year now we are not going to be bothered because we will be switching over from this to the other by the grace of God.

We have built all that stamina but at that time, we did not have that type of stamina because we thought generator was supposed to be a stand-by power alternative but we found out that it was not the standby, but the real light source so when the generator worked for 3 weeks, day and night, and we had lots of event, of which everywhere was full, they began to overheat and they had to go down because our maintenance crew were frantic and they did not want the light to go out for too long, they did not wait for it to cool as they thought that cooling it for 1 hour would be enough for it to work and of course the gasket got burnt and we couldn't use the generators so we had to start running around that night for solution, it was mercy; but we learnt a lot from there and ever since then we decided that it will never happen again.

What are those two things you would want the Government to intervene in when it comes to the ease of doing business especially in the hospitality space?

Number one is that they should bring down the interest rate that the banks charge, anyhow they want to do it.

I know that other countries have low interest rate while Nigeria has about the highest interest rate in this world and it is terrible because the hotel industry is very capital intensive, and you do not have any Kobo until you have finished spending all the money down to the tea-spoon, you have to build, furnish,

equip, do everything to the last item and so it takes a lot of money then you now pay interest rate of 25 percent.

It kills business on arrival so if they can find a way to bring down this interest rate drastically, it will help a lot and I think they should also look at the issue of tax, they are almost killing us with taxation, the multiple taxations we talk about here, it is so much, you talk about VAT, consumption tax, corporate tax, so many and they are not small, they should at least give us a reprieve, a business that takes off and is employing so many people; here we employed about 400 people.

The fact that we pay pay-ee and other things should make the Government see that we are solving not only economic problems, we are solving serious social problems because we employ people and when you employ people, you take them off the streets, they are not going to constitute nuisance, so we create value, we create accommodation so foreigners can come in and bring in money and then we solve financial problems because we are the biggest patronizers of the farmers, when we have events here, 1000 people are coming, we are feeding them, we are not the ones growing the food, some people are growing the food and when we talk of food, food of all sorts and manners, we buy them.

So when you see the kind of contribution hotels make, it is so enormous they address everybody, practically everybody and employment system is from the highest qualified to the lowest qualified, we have a space for them here, our grass men are not medical doctors, but we have clinic here; we employ engineers, computer specialists, people in health sector, food sector, from every sector, we employ those who did not have formal training, we teach them to sweep the ground, wash plates (clean), so there is no manner of persons we do not employ.

We mop up everywhere so the Government needs to look into that and see a way they can support, give hotels special attention when it comes to interest rate and tax rebate and if they can do these two things knowing that we spend a

lot of money to get our own infrastructure because there is so much infrastructure deficit in the country, we all know what is happening with electricity for instance, you do your own bore-hole, you treat your own water and a lot of security issues; you have to do a lot on your own, so, a hotel is a county on its own more or less so if the government could come in here to at least reduce the interest rate drastically, it will be easier for us to access money and we will be able to solve these problems.

Can you share with us your special delicacy at Orchid, take our readers through a dining experience and a background of the kind of chefs that you have?

You know I started by telling you some of the things that inspired my entry into this and food was a major part of it.

I grew up from a place where food delicacies mean a lot and we cook the best pepper soup, we use the natural spices (African spices) like Oziza, Uda and the rest of them to make our pepper soup, so you eat our pepper soup, it is not something you find just anywhere and of course all the natural delicacies that people want to see again on the table after they have left the village, we prepare them.

In our menu, you will find beans there, and we prepare this in different forms, the porridge form, the stew and beans form, you find your moin-moin, your akara, and all these things that are just different from all the normal continental dishes that anybody can cook.

Of course we have an array of continental food but these other ones that Nigerians leave their home and want to see on their table, we make them so these are in addition with the normal array, of course when you talk of soup, all the natural soup, edikaikong, afang, banga, proper egusi prepared in the right way, nsala soup, ogbono soup all of them you find them all here.

In the advent of zoom and virtual meetings, has it had any impact on your business?

Of course, that has had effect on every business but you find out that the zoom meetings; any how



you look at it, is the second best alternative to people, right now we are looking at ourselves eyeball to eyeball, it is not the same as zoom so, as things improve, definitely people will have to come back because they want to be interactive; when they talk, they want to see somebody and then, the zoom meeting has its own major disadvantage.

Of course, if you are in a zoom meeting with someone who is at home and the baby is crying, you put it on but you have to leave that corner to attend to the baby or go and work in the kitchen; multi-tasking it is a lot of distractions.

It is never the same with when you come here and settle down for 3-5 days, you have recreation, you are focusing, concentrating, just doing the business you came for so the zoom meeting is taking off some businesses for now but we know it is picking up again because people can find that the disadvantage of the zoom meeting is there too and there is no way you can compare it to an on-sight meeting.

Do people come to Orchid and know that they are getting value for the money they are paying or is it going to be over-priced because of all the challenges that you are trying to resolve as a business?

Like I always talk about, if you have the right people doing the right thing the right way, you do not have to be the most expensive yet you can deliver the best

quality because it is about balancing.

If you have people who are coordinated and committed, they can go out of their way to get something at a cheaper price, for instance, if you stay on the street of Marina to buy tomatoes and somebody goes down to Mile 12 to buy, you are not going to buy at the same price so you can buy there cheaper and still come here to deliver a cheaper food, than someone who bought from Marina and even make more profit and still sell at a lower price to your customers and then if you have good quality staff, if they are well treated and they know that this is a workplace where people are treated like human beings, they give you commitment and commitment is everything and when they are committed, the customer gets the best of service without having to pay arms and legs.

In some places you pay arms and legs and you still do not get the services, so we are able to balance it because we have the right people in our team.

Finally, where do you see Orchid hotel in the next five years?

You can see we are doing a big expansion here (Lekki); we are just rounding up another 80 rooms. We have already started a 230 room hotel in Ikeja GRA; 37, Adekunle Fajuyi Way.

In the next five years, that would have been running by the grace of God. We think we would have penetrated other cities.

COMPANIES

Spiraling operating cost limits insurers' ability to leverage economies of scale

BALA AUGIE

Insurers in Africa's largest economy have failed to sustainably manage their costs as they are confronted with multiple challenges that limits them from leveraging economies of scale.

The low yield environment, currency volatility, huge energy costs, wages bill, inflationary pressures are just a few of them.

As a result of a tough and unpredictable macroeconomic environment, the profitability of insurers is below the cost of capital.

For instance, the 16 most liquid and capitalized insurers collectively incurred N30.56 billion operating expenses, which is 14.84 percent higher than 2020's N26.67 billion, according to data gathered by MoneyCentral

The combined oper-

ating expenses is 24.15 percent of net premium income of N123.68 billion.

Breakdown of cost structure shows combined management expenses increased by 7.90 percent to N15.12 billion as at March 2021, but firms are spending more to underwrite policies as underwriting expenses spiked by 22.54 percent to N15.50 billion in March 2021 from N12.65 billion the previous year.

Insurers spend money on hiring talented workforce, and the salaries of existing staff are increased periodically, and such pay rise is paramount in these hard times that inflation is eating wages and eroding the purchasing power of consumers.

Also, they have been investing in information technology with a view to optimizing cost and de-

livering better service to customers.

These costs are in addition to huge energy costs as they spend money to buy expensive diesel oil to run generator plants at head office and branches across the country.

Global Management and Consulting firm McKinsey and Company in a latest report said the major drivers of cost in the insurance industry include: business complexity, the company's operating model, management of the IT landscape, and performance management.

The report stated that business complexity relating to brands, sales channels, product mix or customer-facing processes is an important driver of operating costs and limits insurers' ability to leverage economies of scale.

"As a result, we find that insurers with a very large product portfolio, multiple brands and channels are also those with the highest costs on average," said the report.

Economies of scale are cost advantages reaped by companies when production becomes efficient. Companies can achieve economies of scale by increasing production and lowering costs. This happens because costs are spread over a larger number of goods. Costs can be both fixed and variable.

While incurring cost is inevitable for a firm that wants to pursue growth and maximize shareholders' value, it is important that insurers pay more attention to the cost line if they want their profit to be above the cost of capital that signals their business is viable.

MARKETS

Edo to issue 10,000 C-of-Os yearly, sets to acquire mobile digital mapper to improve land mgt

SEUN PETERS

The Edo State Government has concluded plans to acquire a mobile digital mapper, as part of efforts by the Governor Godwin Obaseki-led administration to improve land management in the state.

Managing Director, Edo State Geographic Information Service Agency (EdoGIS), Arch. Frank Evbuomwan, disclosed this in a chat with journalists in Benin City, Edo State.

Evbuomwan also disclosed that the agency plans to open zonal offices in Auchi in Edo North Senatorial District and another in Uromi in Edo Central Senatorial District, before the end of 2021, with a target to issue a minimum of 10,000 Certificates of Occupancy (C-of-O) yearly.

According to him, "At EdoGIS, we have done our best to ensure we deliver on our mandate. At the end of this year,

we hope to have cleared the 10,000 mark, and after that, we will start doing a minimum of 10,000 digital C-of-O yearly.

"We also plan to open zonal offices in Auchi in Edo North Senatorial District and another in Uromi in Edo Central senatorial District, before the end of this year."

The Edo-GIS MD continued: "In the next few weeks, we will be acquiring a mobile digital mapper which is a vehicle-mounted mapper that gives the capability that can be seen on google street view. This means that we will be able to traverse the city from our desks.

"Our capability is improving by the day to greatly impact land management in the state. We want to get to a level where every centimetre in the state is carefully and completely mapped with owners information, land use, land size and many more."

INDUSTRY

Lafarge Africa launches natural gas-powered trucks to promote clean energy and a safe environment

MELODYST.CLAIRE OGEAWUCHI

Lafarge Africa Plc, a leading Sub-Saharan Africa building solutions company and member of Holcim, a global leader in innovative and sustainable building solutions, has reaffirmed its commitment towards affordable and clean energy (SDG7), through the launch of a new set of 52 Natural Gas (LNG) fueled trucks.

The implementation of the natural gas powered trucks in partnership with Ecologique will improve environmental performance as LNG generates 30% less carbon dioxide than fuel oil and 45% less than coal. The combustion of natural gas dissipates much more quickly in the air, leaving no particles or residue. Data from the Energy Information Administration shows that since 2006, increased use of natural gas has driven carbon dioxide savings. Undoubtedly, natural gas plays a great role in reducing CO2 emissions globally.

As an organization aiming to achieve substantial growth in our operations in alignment with the Health, Cost, Cash initiatives as well as the sustainability agenda, which is to build a world that is greener, smarter and one that works for all, optimizing the supply chain, using more energy-efficient equipment, and constantly being on the look-out for energy-saving options is the only logical path to thread.

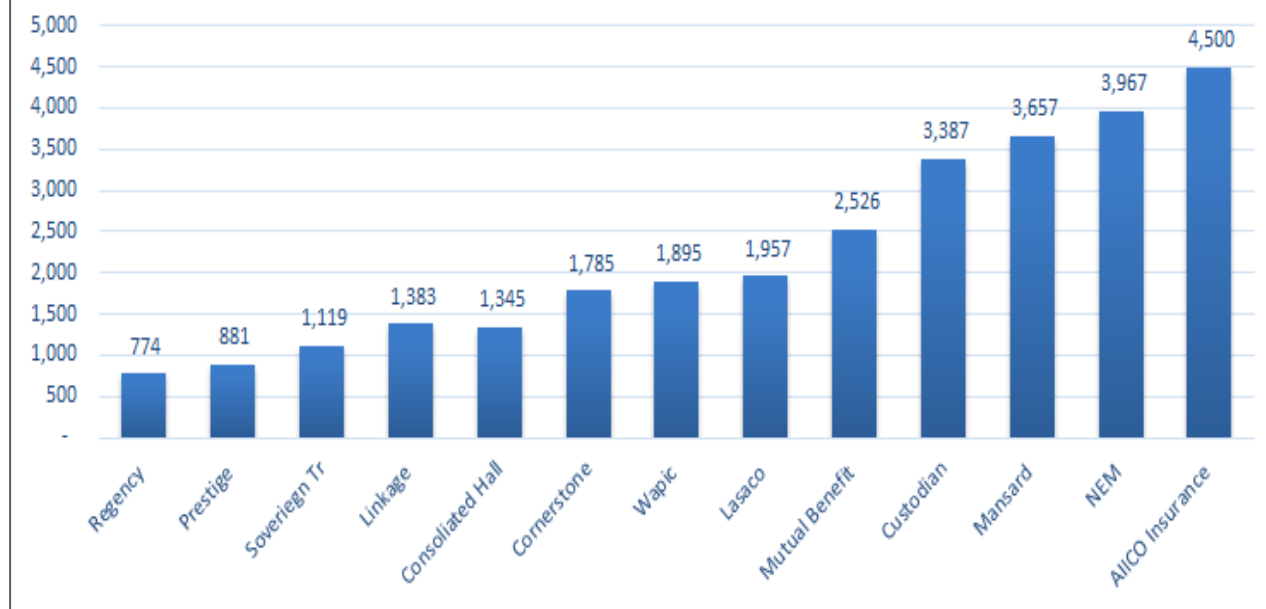
With temperatures rising around the globe, there's no doubt that energy users need to adjust to the current climate realities and businesses need to focus their efforts on lowering environmental impact. The properties of natural gas - low environmental impact of its com-

bustion, its energy performance and its abundant reserves distributed around the globe, make it an energy of the future. Natural gas extracted from fields located predominantly in countries such as Algeria, Norway, Qatar, Russia, Nigeria and the USA, is expected to account for 25% of the world energy portfolio by 2035, compared to 21% today, creating a demand of 5,1000 billion m3 (Gm3)

Speaking at the launch of the trucks at Lafarge's Ewekoro plant, the Country Chief Executive Officer of Lafarge Africa Plc, Mr. Khaled El Dokani, reiterated that Lafarge Africa is a high-performance driven organization moving in the direction of sustainability which is at the core of its operational strategy. "Lafarge Africa is fully aligned with our Group's vision of building progress for people and the planet and the deployment of the natural gas trucks further takes the organization closer to the attainment of a net zero carbon emission ambition and five other Sustainable Development Goals - SDG 7 (Affordable and Clean Energy), SDG 9 (Industry, Innovation and Infrastructure), SDG 11 (Sustainable Cities and Communities), SDG 13 (Climate Action), SDG 15 (Life on land) and SDG 17 (Partnership for the goals)".

Natural Gas is the cleanest fossil fuel. In accordance with the current energy transition to net zero sought by the world, it is an excellent alternative to be adopted in reducing greenhouse gas emissions and aid in combating global warming. The use of natural gas - particularly for industry and transport - is one of the many ways Lafarge actively contributes to protecting the environment and achieving its sustainability agenda.

Insurers' Operating Costs (N'm)



REFINING

U.S Firm KBR wins FEED work on BUA Group Refinery

JESSICA MAURICE

BUA Group has contracted American engineering firm KBR to carry out front-end engineering and design (FEED) on its proposed refinery in Nigeria.

KBR carried out the conceptual feasibility study on the 200,000 barrel per day Akwa Ibom plant in 2018.

"KBR's Sustainable Technology Solutions business is committed to helping provide and shape sustainable and efficient solutions to its clients globally," said Jay Ibrahim, KBR President - Sustainable Technology Solutions.



Abdul Samad Rabiu, BUA boss

"This contract outlines our strong position as a market leader in this sector, and we are excited to continue working with BUA in this critical next phase of the project."

KBR went on to say the

plant would help provide fuel for Nigeria's domestic and regional markets, cutting the need for imports.

It noted work would involve sulphur removal facilities, water treatment facilities to meet stringent environmental standards and heat integration to ensure efficiency.

KBR went on to note the importance it put on cutting greenhouse gas emissions and carbon footprint.

The award follows a recent contract signed by Bua with Lummus Technology. On April 29, Lummus said its Novolen busi-

ness had won a polypropylene contract from Bua for the grassroots refinery in Nigeria.

Lummus would provide a technology licence for a 285,000 tonne per year polypropylene unit, it said. It would also provide basic design engineering, training and services and catalyst supply.

The refinery should start up in 2024, Bua's chairman Abdul Samad Rabiu said.

The Nigerian company appointed France's Axens to act as technology provider to the refinery in September 2020.

ANALYSIS

INSURANCE HUB

Reports prepared by MoneyCentral Analyst team led by Bala Augie

Banks holdco structure turmoil to spur insurance penetration

The push by more Nigerian banks to adopt a full holding company (Holdco) structure as a means of generating higher returns and a well-diversified assets base, is expected to deepen insurance penetration in the country and spur acquisitions.

A holding company does not produce any goods or services by itself; instead, its main purpose is to own shares of other companies to form a corporate group. The real purpose of its existence is, therefore, to control another company.

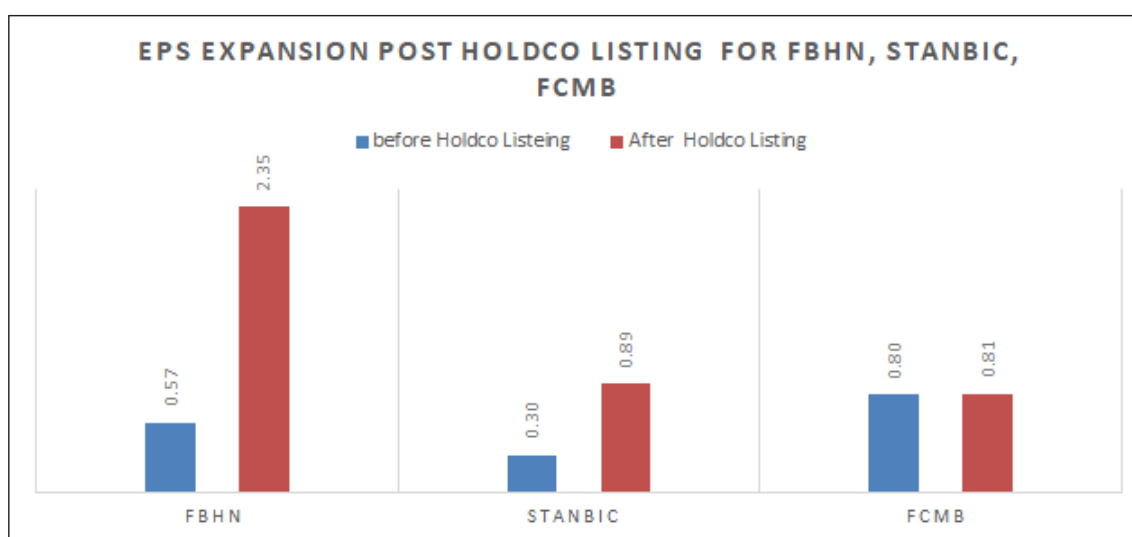
It allows better asset management, better distribution of assets and efficient sale of the asset.

A couple of Nigerian banks had already made an inroad into the insurance market by setting up or launching insurance companies.

Already, Access Bank, Eco-Bank, First Bank and Guaranty Trust Bank have Bancassurance relationships and equity stakes in insurance companies while Zenith Bank, Unity Bank and Stanbic IBTC Bank have fully owned insurance subsidiaries.

On July 14, Guaranty Trust Holding Company Plc (GTCO), emerged after Nigeria's largest lender by market capitalisation transited into a Holding Company (Holdco) structure from its commercial banking structure as it completed its corporate reorganisation.

With a market capitalization of N871.163 billion as at Friday

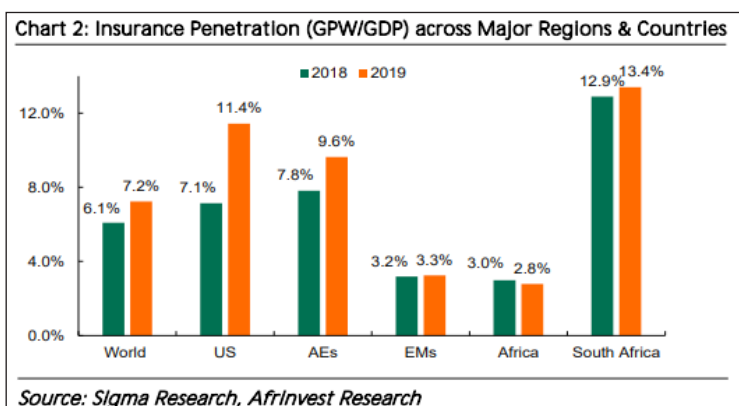


July 23, 2021 and total assets of N3.6 trillion, the lender has the financial strength to acquire some insurance companies.

Some zombie insurers like Goldlink Insurance, African Alliance, and International Energy are technically insolvent as their liabilities exceed assets, which makes them easy targets for acquisition.

Analysts say the frenzy of banks for Holdco structure in a bid to magnify their investment will definitely spur penetration to increase the industry to the economy.

"We expect full HoldCo structure frenzy to boost banks' investments in the insurance sector and while this may stifle competition for the industry, it would boost growth," said analysts at Afrinvest



Securities.

The sector's insurance penetration, defined as Gross Premium Written as a percentage of GDP (GPW/GDP), remains poor at 0.3% with South Africa (13.4%), Morocco (3.9%) and Kenya (2.3%) advancing in reach.

Similarly, the sector grapples with low insurance density (GPW per capita) of \$8.0 compared with South Africa (\$803.0), Morocco (\$127.0), and Kenya (\$43.0).

In terms of global relevance, the Nigerian insurance sector lagged significantly with total

contribution to global premiums at 0.03% as it ranks 63rd of 88 countries profiled by Sigma Research in 2019.

A lot of insurance companies need capital injections to strengthen their balance sheet and working capital position that will enable them to undertake big ticket transactions.

It is worth repeating that the banks are more capitalized and have a shock absorber against macroeconomic headwinds; what this means is that they will use their resources to digitalize the insurance industry for better performance.

On June 1, Heirs Holdings (HH), owned by billionaire and visionary, Tony Elumelu, disrupted the insurance landscape with the launch of Heirs Insurance Limited (HIL) and Heirs Life Assurance (HLA).

The banks are however to be reminded that the insurance sector is circumscribed by lack of awareness on the importance of taking a cover, poor regulations, lack of trust for the claims process, and sluggish economic recovery.

Analysts at Afrinvest have advised the Banking and Insurance regulators to ease restrictions and bottlenecks associated with the introduction of new products, Bancassurance and partnership with telecommunication companies to foster inclusion of millennials and Generation Z in insurance products.

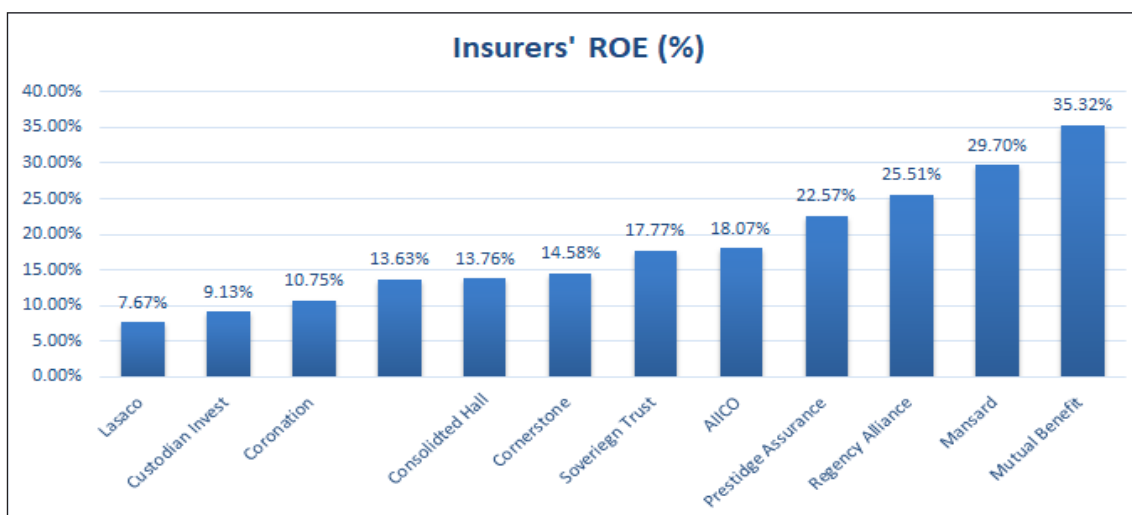
With 35.32% return on equity, Mutual Benefit assurance delivers value to shareholders

Mutual Benefit Assurance Plc has delivered value to shareholders more than any other insurer in Nigeria, which validates consistent profit growth amid a myriad of challenges undermining the industry.

This means the insurer has used the shareholder's money in generating higher profit, and this guarantees them a steady dividend that magnifies their earnings.

A cursory analysis of the first quarter financial statement of the largest listed insurer shows Mutual Benefit's return on equity (ROE) increased to 35.35 percent from 23.08 percent as at March 2020, according to MoneyCentral calculations.

Return on equity (ROE), also known as return on common equity (ROCE), is a measure of a business's profitability. Specifically, it is a ratio describing the rate of profit growth a business generates for shareholders and owners. Investors and fund managers use ROE to compare the growth rates of different



companies, or of a company and an industry benchmark.

The 35.35 percent ROE for Mutual Benefit compares to AXA Mansard, (29.70 percent); Regency Assurance, (25.51 percent); NEM Insurance, (23.13 percent); Prestige Insurance, (22.57 percent); AIICO Insurance, (18.07 percent); Sovereign Trust (17.77 percent); Cornerstone Insurance, (14.58 percent);

Veritas, (13.63 percent), and Custodian Investment (9.09 percent).

Mutual Benefits' strong ROE is due to a surge in profit, and it is the only company in MoneyCentral's coverage universe to maintain steady growth at the bottom line in the past three years.

Despite a sluggish economic recovery, Mutual Benefit's net income surged by 111.95 percent

to N1.97 billion as at March 2021, one of the largest expansions at the bottom-line.

A diversified product base is also responsible for the uptick in premium income that helped absorb mounting obligations amid inflationary pressures and currency volatility.

The insurer has maintained underwriting discipline, recording a 23.83 percent increase in

underwriting profit to N3.16 billion as at March 2021, and a combined ratio of 71.12 percent means it is not paying out more claims than it is earnings in premium income.

As part of its goal to lead the industry in growth, profitability, innovation, operating efficiency, and dividend returns, the board and management of the company have initiated a five-year strategic road map.

To achieve the goals of the project, the group would focus on key priorities such as deepening market penetration/customer acquisition by aggressively growing its customer base across all segments; embed customer and service delivery excellence by establishing the company as the most customer-focused in the industry; transform people and culture by creating the right environment to attract, develop and retain knowledgeable and motivated workers; and drive operational effectiveness by leveraging disruptive technology.

ANALYSIS

Nigeria's Access Bank faces tough competition in South Africa venture

S&P GLOBAL MARKET INTELLIGENCE

Nigeria's Access Bank PLC faces tough competition from incumbents as it ramps up operations in South Africa, but it could find success in niche markets.

On May 27, Access re-named its recently acquired unit Grobank Ltd. as Access Bank South Africa Ltd. At a press conference to mark the re-branding, the unit's managing director, Bennie van Rooy, said the bank would launch a "full retail banking suite" and highlighted opportunities to provide trade finance, treasury services, loans and international payments to corporations.

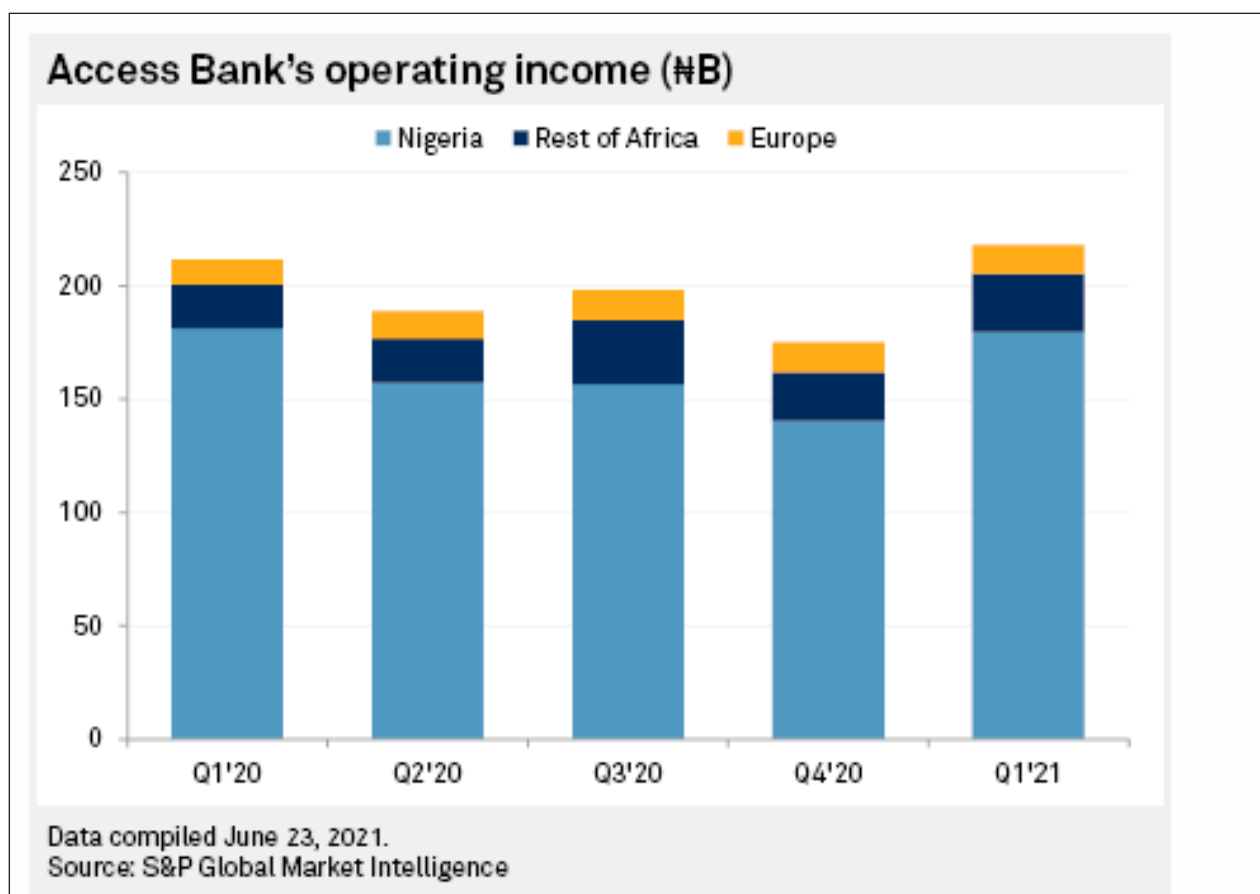
Access Bank has long had subsidiaries scattered across sub-Saharan Africa, but they have not been key priorities. Such was the scale of the opportunity in Nigeria that it made little sense for the country's banks to invest much in their foreign subsidiaries when they could make more money on a single domestic deal, said Ronak Gadhia, director of research on sub-Saharan African Banks at EFG Hermes.

In the first quarter, Access' operating income from Nigeria totaled 180 billion Nigerian naira, or \$437 million, compared to 26 billion naira from the rest of Africa, S&P Global Market Intelligence data shows.

But unfavorable regulatory changes have spurred Nigeria's major banks to again focus on boosting their foreign operations. The central bank has increased cash reserve ratio requirements, meaning a large chunk of banks' balance sheets are sitting in cash earning nothing, while other reforms have limited certain bank fees, Gadhia said.

Access Bank, which aims to expand its customer base to 100 million by 2022, has recently bought banks in Mozambique and South Africa; including the latter, its African footprint now spans 10 countries. It also aims to launch operations in Guinea in 2021 and is acquiring a bank in Botswana.

Aside from Access' Ghana unit, whose 2020 pretax profit rose 58% year over year to 23.4 billion naira, its other African subsidiaries made a com-



"In the first quarter of 2021, Access' operating income from Nigeria totaled 180 billion Nigerian naira, or \$437 million, compared to 26 billion naira from the rest of Africa, S&P Global Market Intelligence data shows."

bined annual pretax profit of 5.11 billion naira — 4% of the group total, according to Market Intelligence calculations.

About a decade ago, rivals Ecobank Transnational Inc., headquartered in Togo, and Nigeria-based United Bank for Africa PLC followed a similar strategy of buying units across Africa to expand their foot-

print. But, Gadhia said, they did not commit sufficient capital to achieve a workable size of operations.

"If you don't commit capital, it's hard to achieve scale," said Gadhia. "Sub-scale operations typically aren't profitable, which is what we saw with UBA and Ecobank's subsidiaries. It's taken them the best part of

10 to 12 years to start generating substantial profits from some of their subsidiaries."

Gadhia said the amount Access is committing to its foreign operations is "way too low."

South Africa

Access will compete against South Africa's big four banks — Standard Bank Group Ltd., FirstRand Ltd., Absa Group Ltd. and Nedbank Group Ltd. This quartet dominate the sector in terms of earnings and assets, although smaller rival Capitec Bank Holdings Ltd. has the most customers.

"The South African banking sector is highly competitive, and it has proved difficult for challengers to grab market share from the big four," said Adrian Saville, professor and director of the Centre for African Management and Markets at Johannesburg's Gordon Institute of Business Science.

"The exception has been Capitec, but broadly major banks' market share is contested and defended fiercely."

Capitec, which has focused on low-income

South Africans since launching services 20 years ago, expanded its retail customer market share by 4.0 percentage points in 2020 versus a year earlier, according to a survey by Consulta, while that of Standard Bank, Absa and FirstRand all contracted.

"The headline customer numbers are fairly stable, but within particular product lines there can be quite large swings such as in home financing," said Saville.

Despite its retail customer base, Capitec's retail loan book was worth just 52 billion rand at 2020-end, Market Intelligence data shows. The big four's combined retail loans totaled 1.87 trillion rand.

Capitec benefitted from launching during a period of prolonged economic growth and currency and inflationary stability that lasted until shortly after South Africa hosted the 2010 World Cup, although now unemployment has hit all-time highs and power cuts are widespread.

Other competitors

Other banks have launched recently, too. Insurance company Discovery introduced a banking

"If you don't commit capital, it's hard to achieve scale...the amount Access is committing to its foreign operations is "way too low."

subsidiary in 2018 to target wealthy South Africans. By mid-September 2020, Discovery Bank had 489,000 accounts and around 2.4 billion rand in deposits.

"Discovery has put strong behavioral elements into its model and has been a very astute, so I've no reason to suspect its banking arm won't succeed in the long term," said Saville.

Commonwealth Bank of Australia sold Tyme-Digital in November 2018, a year after the unit received a banking license, losing \$113 million on its investment. Now known as TymeBank, it has 3 million, mostly low-income, customers and made a loss of 1.3 billion rand in the 12 months to June 30, 2020.

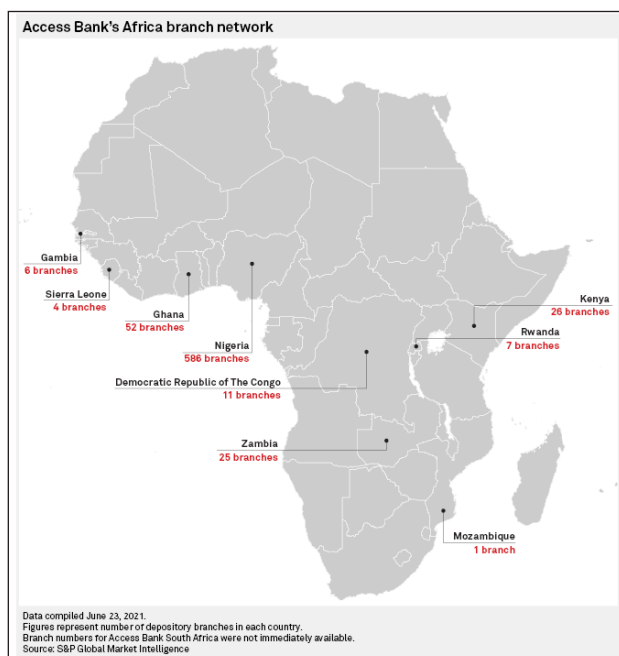
Industry veterans Michael Jordaan and Yatin Narsai lead digital-only, business-focused Bank Zero, which had planned to launch full operations in 2019 but has yet to do so.

Nevertheless, Saville highlights three opportunities Access could target.

These include South Africa's immigrant population, which he described as unbanked or served by the banking sector in inefficient and ineffective ways; the country's agriculture sector, which Grobank was focused upon prior to Access' acquisition and which is less competitive in terms of banking services; and new trade financing requirements arising from the African Continental Free Trade Area, which came into force on Jan. 1.

"All South Africa's major banks are very active in trade finance, but Access' pan-African footprint and cross-border activities might give it a chance to build market share in particular banking channels," Saville said.

As of June 28, US\$1 was equivalent to 410.66 Nigerian naira.



"Access will compete against South Africa's big four banks — Standard Bank Group Ltd., FirstRand Ltd., Absa Group Ltd. and Nedbank Group Ltd."

LIFESTYLE

About Arteriors By Ella

Hi! I'm Stella, Director, Arteriors By Ella. I am an interior decorator by passion and a picture perfect planner & organizer. Arteriors By Ella is the vehicle through which I feed my penchant for delivering elegant, sophisticated and inspiring interiors with memorable experiences.

Arteriors By Ella is an Interior Design and Decoration outfit primarily focused on helping clients create lasting impressions in their home spaces. We aim to consistently deliver innovative and impactful interiors by infusing our touch of originality and innovation into every project, whilst upholding our commitment to quality operations and to delivering exceptional service to our clients.

Contact us on 0803 305 2919 or arteriorsbyella@gmail.com

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Elevating your dining room

BY STELLA CHIBUIKE-EZIKE,
DIRECTOR, ARTERIORS BY ELLA

Creating Intimate Dining Rooms

"The fondest memories are made when gathered around the table."

Dining rooms, much like the kitchen, should be the heart of the home. A place to connect at mealtime, interact and share fond memories and experiences with family. Despite the distractions of today's world where meals can now be had anywhere and other family food customs forgotten, the dining room in a home should be well-maintained, with relevant traditions preserved. Make it comfortable and inviting, improve its visual appeal and most importantly, recreate it to become the spot for intimate family connections.

Dining Room Refresh Ideas

Does your dining room require a complete makeover, basic upgrades or just some design inspiration? Grab a pen and paper and come with me as we discuss décor ideas to enhance your dining space and welcome back the art of mealtime.

1. Stylish Seating: Create the much desired focal point with interesting table and chairs. You could use a rectangular table with a marble top and steel frames, paired with classic and timeless chair designs. Where space is a constraint, opt for circular tables instead. Give your family and guests a reason to always want to sit.

2. Statement Centerpieces: Use candle-sticks, greenery or a combination of both for a stylish look.

3. Gallery Wall: Add personality to your space by

featuring a gallery wall. Family photos, works of art and other framed image prints on canvas work well, depending on your preference. Use matching frames for a cohesive look. You could also lean artwork against the wall instead of hanging them.

4. Bold Lighting: Ensure your dining space is well lit by mounting light fixtures. Use pendant lights or a simple chandelier with warm shades to provide a comfy and flattering ambience. Where possible, go for bold fixtures that could double as a work of art and

draws attention.

5. Cushioned Bench: This works well in small spaces. Add throw pillows onto the bench for a snug feel and use with a round table. Be sure to purchase quality and lush fabrics that are super durable.

6. Colored Ceiling: Don't be afraid to add some glamour. Create a statement ceiling by

using bold and unexpected paint colors. Imagine how an exciting color like yellow will light up and energize the room instantly!

7. Rug up: Soften the underfoot texture with a Jute or Persian rug that complements your color and design theme. This also helps to create a "zone" if your dining room is in an open space. The rug should be in the right proportion with the dining table. Large enough to fit in all the chairs without dominating the entire space.

8. Go Green: This one is a given. Brighten up your room with gorgeous vases and other floral elements arranged in strategic locations to provide visual intrigue and added appeal.

9. Metallic Accents: Incorporate some shine and lux touch with metallic accents. Can be used in table and chair legs, tabletop accessories, decorative wall mirrors and wall art frames. Be careful not to overdo this one though.

10. Curtain Spotlight: If you are privileged to have a dining space near the window, utilize judiciously by adorning with beautiful sheer curtains, preferably light colored ones. This casts a dreamy and happy glow on your entire space.



Ready to Revamp?

You must have relished how much pleasurable it is to cook and eat at home; whether you are hosting, entertaining or just unwinding alone or with your partner. You should therefore learn to keep your dining space refreshed by turning it into your five-star restaurant, where warm and cozy meals are served and shared. It doesn't get better than this! What's more...these ideas are so good and easy to implement that you do not need to hire a professional to do the job.



NATIONAL

Nigerian insurers' improved ROE's...

Continued from page 1

demic and unfavorable underwriting conditions, insurers tracked by MoneyCentral collectively grew net income by 12.94 percent to N11.45 billion in June 2021 from N10.13 billion as at June 2020.

However, profit growth is not in tandem with stock valuations that are poor as investors' apathy towards listed insurers remains strong.

Nigerian insurers in the market trade at an average price-to-book ratio of 0.43x compared with South Africa (1.99x), Egypt (1.65x) and Kenya (0.64x).

"Although this underpricing appears attractive from an investment standpoint, we believe the pricing is synonymous with the value-added by the insurers over time in terms of performance," said analysts at Afrinvest Securities.

Insurers are not magnifying earnings to the extent that they can pay shareholders bumper dividends, and the minimum payout across the sector is 5kobo.

That compares with the N3 average for the largest banks who have strong capital buffers to surmount macroeco-

nomic headwinds.

Notably, Custodian Investment Plc, the most capitalized insurance group, has a market value of N35.98 billion as at July 20.

That is abysmally poor when compared to the N767.64 billion market capitalization of Zenith Bank.

A lot of insurers were trading below N0.50 before the stock exchange removed a cap in 2018 that saw many now trading at between N0.40k and N0.15k.

Many could argue that companies are operating in a tough and unpredictable macroeconomic environment. Poor regulations, lack of awareness about the benefits of taking a cover, and lack of trust for the claims process have been sending insurers sprawling.

But the truth is that there are too many weak insurers who do not have the financial strength to take on more risk. Some are technically insolvent while their activities have been significantly curtailed by receding premium and recurring losses.

A game changer is the recapitalization exercise by the regulator that is expected to

Insurers' Q1 ROE

	2021	2020	%Change
Custodian	9.14%	14.53%	-5.39%
AIICO	18.07%	24.37%	-6.30%
Mansard	29.70%	24.49%	5.22%
Wapic	10.76%	6.75%	4.00%
Mutual Benefits	35.32%	23.09%	12.23%

Source: Companies Financials; MC

spur mergers and acquisition and attract the much-needed foreign investment.

Investors and market participants have unanimously agreed that there are lots of potentials in the sector and that with the right capital injections, insurers will be well capitalized to the extent they will start acquiring companies across sub-Saharan Africa.

"In Europe, Asia, and the United States, insurers own banks. We have the largest economy in Africa yet penetration level is abysmally poor," said Tony Elumelu, economist, entrepreneur, and philanthropist, and chairman of Heirs Holdings, the United

Bank for Africa, Transcorp and founder of The Tony Elumelu Foundation.

Elumelu is poised to disrupt the industry with the launch of 2 companies: Heirs Insurance Limited (HIL) and Heirs Life Assurance (HLA).

A further analysis of the financial statements of the operators in the industry show Mutual Benefit Assurance's ROE increased to 35.32 percent in March 2021 from 23.0 percent the previous year. Net income surged by 119.95 percent to N1.97 billion as at June 2021.

However, the insurer's shares closed at N0.40 2:00 pm in Lagos, and the stock trades at a price to earnings

ratio of 1.08.

AXA Mansard Insurance Plc ROE moved to 29.70 percent in March 2021 from 24.48 percent as at March 2020. Net income increased by 34.43 percent to N2.63 billion as at June 2021.

Its shares closed at N0.89, while the stock trades at a price to earnings ratio of 6.19.

Coronation Insurance Plc's ROE is 10.75 percent in the period under review from 6.75 percent as at March 2020; net income spiked by 79.44 percent to N648.24 million as at June 2021.

Its share price closed at N0.54, the stock price trades at a price to earnings ratio of

21.56.

Cornerstone Insurance Plc ROE increased to 14.58 percent in the period from 11.65 percent the previous year; net income surged by 38.52 percent to N358.15 million as at June 2021.

Its shares closed at N0.53, while the stock price trades at a price to earnings ratio of 4.91.

Regency Insurance's ROE increased to 25.51 percent in March 2021 from 14.28 percent the previous year; net income spiked by 95.80 percent to N427.88 million as at June 2021.

Its shares closed at N0.49, while stock price trades at a price to earnings ratio of 5.59.

Veritas Kapital Assurance Plc ROE increased to 13.63 percent in June 2021 from 1.79 percent the previous year; net income surged 708.12 percent to N301.51 million as at June 2021.

Its shares closed at N0.25, but information on price to earnings ratio was unavailable.

The Insurance Index finished 2020 with a positive year to date returns as investors wagered that the recapitalization exercise would be expeditious and that they were poised to get a better return on their investment.

Insurers' Q1 ROE

	2021	2020	%Change
NEM	23.13%	26.11%	-2.98%
Cornerstone	14.59%	11.66%	2.93%
Lasaco	7.66%	13.34%	-5.68%
Consolidated Hall	13.77%	11.22%	2.55%
Sovereign Trust	17.78%	14.88%	2.89%

Source: Companies Financials; MC

Insurers' Q1 ROE

	2021	2020	%Change
Regency Insurance	25.51%	14.29%	11.23%
Prestige Insurance	22.57%	22.32%	0.26%
Linkage Assurance	-13.92%	-5.48%	-8.44%
Veritas	13.64%	1.79%	11.84%
Universal Insurance	7.64%	16.55%	-8.91%

Source: Companies Financials; MC

Banks pass CBN stress test setting stage...

Continued from page 1

tems Stability Directorate at the CBN, said.

Whilst happy with the positive performance of the financial system, Ahmad noted that the CBN must remain vigilant to identify and proactively manage possible downside risks to financial stability arising from credit default risk.

Nigeria's banking industry ratios have remained resilient despite the covid-19 crises, posting strong soundness indicators.

The capital adequacy ratio stood at 15.8 percent as at April 2021, some 90 basis points above the ratio recorded in April 2020, according to the latest CBN data, while the liquidity ratio stayed healthy at 38.9 per cent as at end-April 2021, above the 30 per cent minimum liquidity ratio even as credit to the real sector continued to grow.

The CBN also built significant liquidity buffers in Cash Reserve Ratio (CRR) balances to provide liquidity backstops as and when required to the banks, Ahmad said.

Nigerian banks have grown loans amid the pandemic that led to a recession

in 2020, a counter-cyclical move that is raising fears over possible erosion in the quality of their asset books.

Banks total assets increased by N6.97 trillion to N53.17 trillion in the one-year period between April 2020 and April 2021, driven mainly by increase in credit.

The gross banking sector credit meanwhile increased by N0.85 trillion from N22.68 trillion at the end of December 2020 to N23.53 trillion at the end of March 2021. The credit growth was largely recorded in manufacturing, consumer credit, general commerce, information and communication and agriculture.

The CBN in 2019 increased the minimum loan-to-deposit ratio (LDR) of commercial banks to 65 percent, a measure that was among a range of regulations aimed at forcing banks to boost credit, mainly to farmers, small-and-medium-size businesses and consumers.

As the pandemic hit last year the CBN nudged the banks into providing forbearance to debtors unable to meet loan repayment obligations as a result of the COVID-19 lockdowns imposed by the Federal Government.



President Muhammadu Buhari (middle), with All Progressives Congress (APC) governors, when the governors paid him sallah homage at his Daura, Katsina State residence, on Thursday.

Forbearance is a temporary postponement of loan payments, and lenders and other creditors grant forbearance as an alternative to leaving the borrower to default on the loan.

Some central bankers are however arguing that it's time for the forbearance to begin to be wound up.

"There is a need for timely and orderly withdrawal of

forbearance on loan restructuring granted to the banking sector. The growth in aggregate credit indicates that the CBN policy on Loan-to-Deposit Ratio (LDR) is working," said Adenikinju Adedola Festus, an economist and member of the CBN Monetary Policy Committee (MPC).

The banking sector's non-performing loan (NPL) ratio

fell from 6.3 percent in February to 6 percent in March and further to 5.9 percent in April.

However, the non-performing loans ratios do not provide a full picture of the quality and risk level of the overall loan portfolio as the moratorium on COVID-19 restructured payments prevents debtors from defaulting on their debts to banks, accord-

ing to Asogwa Chikwendu, another member of the CBN's monetary policy committee.

Data from the CBN show that vulnerable borrowers benefiting from the CBN COVID-19 forbearance hold about 37.72 percent of the entire banking industry loan portfolio.

"This surely represents a significant size for the banking industry," Chikwendu said.

MARKET EAR

Nigerian stocks deliver highest dividend yields in Africa

BALA AUGIE

Nigerian stocks have delivered higher dividend yields in Africa as shares of bellwether companies are attractive amid bearish sentiment in the capital market.

This means firms in Africa's largest economy pay shareholders more for owning a share of their stocks.

The average dividend yields for Nigeria is 5.30 percent, that compares with South Africa, (2.60 percent); Egypt, (1.60 percent); Kenya, (2.0 percent);

Morocco, (2.70 percent); Tunisia, (2.10 percent); Namibia, (2.60 percent), and Mauritius, (1.90 percent), according to data gathered by United Capital Research.

The yields on Nigeria's stock are also higher than 2.60 percent, 1.70 percent 2.0 percent for Frontier Market, Global Market, and Emerging Market respectively.

The dividend yield, expressed as a percentage, is a financial ratio (dividend/price) that shows how

much a company pays out in dividends each year relative to its stock price.

Interestingly, investors are allured to stocks in Nigeria because of their attractive dividend and corporate profit growth as foreign investors had dumped shares over foreign exchange volatility and lack of transformation policy on the part of the Buhari led administration.

Rewarding shareholders out of distributable profit signals financial stability, but in the cor-

porate finance world, the value of a firm is a function of present value of future cash flow.

In 2020, the largest companies paid N865.15 billion in dividend to their owners, with an average industry yield of 8.50 percent.

Consumer goods firms like Nestle tapped its retained earnings to maintain a payout over 100 percent; the company has been distributing all earnings as dividend.

They have kicked 2021 starting as some of them

have declared interim dividends.

The board of directors of Total Nigeria Plc, the largest downstream player that recorded stellar performance in half year, have declared an interim dividend of N4.

However, the rise in dividend yield could be a result of declining stock price that is the denominator in the calculation of the yield.

The Nigerian stock market, which kicked off the year with some of the bullish momenta from 2020, gaining 5.3 percent in Jan-2021, has slumped 5.9 percent year to date (YTD), closing at 37,907.28 index points at the end of first half of (H1-2021). The equity market has returned -4.14 percent year to date as at July 23, 2021.

The reversal of fortune that weighed on sentiments was due to rising bond yields that spurred an unprecedented rotation from equities to bonds.

A bearish sentiment makes debt more attractive

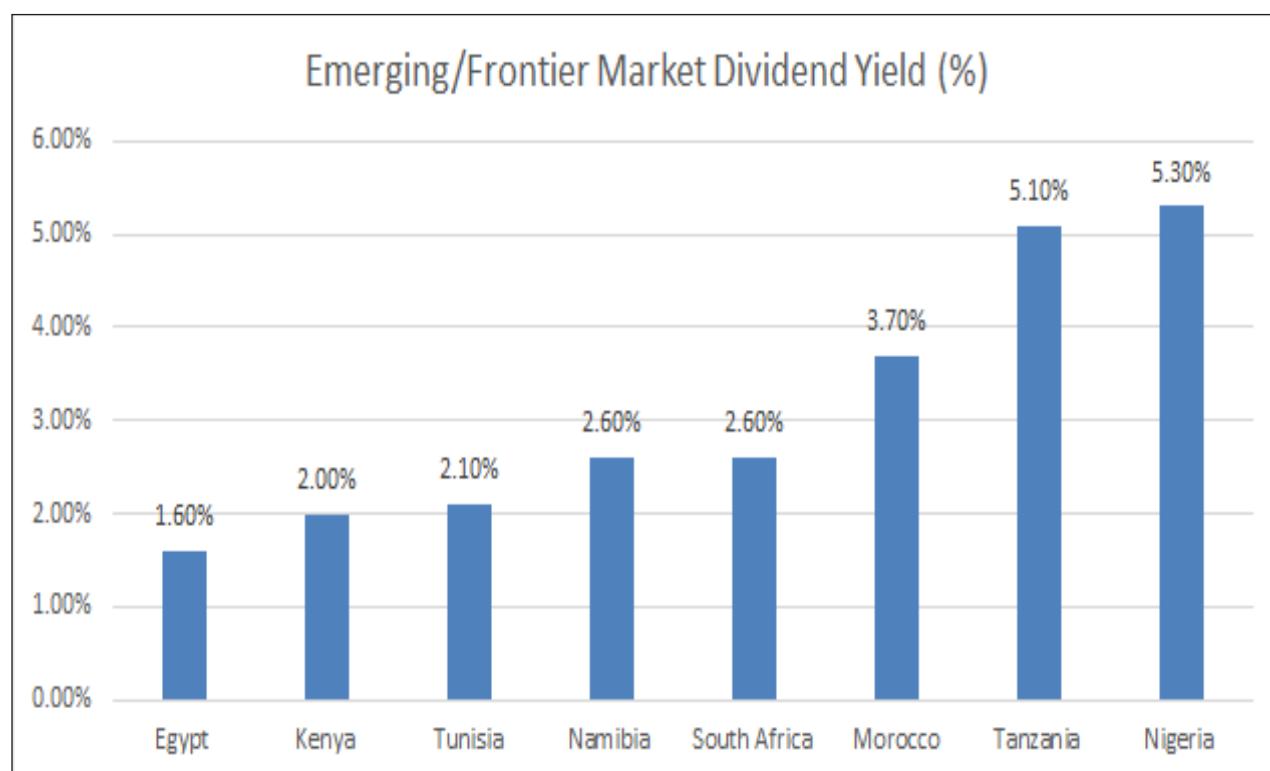
because bond prices fall, but it is detrimental to companies because they will pay higher coupon rate and interest expense on money borrowed from banks.

Analysts are optimistic that the gradual reopening of the economy by the government will galvanize economic activities and lift corporate profit.

Economic recovery continued in the first quarter (Q1 2021), as growth settled at 0.5 percent, which was an improvement from 0.10 percent in the fourth quarter.

Brent, the crude against which Nigeria's oil is priced, dropped 0.23 percent to \$73.56 as at July 23, the price of black gold was zero around march 2020.

However, the stock market could be clobbered down again as a 3rd wave of the pandemic, led by a new, more-infectious "Delta" variant, has emerged in various pockets of the globe, prompting the reintroduction of lockdowns.



CRYPTO

Nigeria's Central Bank to launch digital currency

JESSICA MAURICE

The Central Bank of Nigeria has said it will launch its digital currency on October 1 following an advice by the Vice President Yemi Osinbajo that cryptocurrency should be regulated not banned.

The decision to launch its digital currency was reached during a private webinar on Thursday in which the CBN said about 80 percent of central banks worldwide are exploring issuing digital currencies.

Rakiya Mohammed, CBN director of information technology, explained that the central bank began conducting research in 2017 with regards to developing a digital currency.

It would be recalled

that Prof Osinbajo had on February 26 spoke on the controversial issue that blockchain technology was generating at the time. He had urged the CBN to regulate and not prohibit cryptocurrency.

"On the very topical issue of blockchain technology, digital assets, and cryptocurrencies let me say two things. First is that there is no question that blockchain technology generally and cryptocurrencies, in particular, will in the coming years challenge traditional banking, including reserve banking, in ways that we cannot yet imagine so we need to be prepared for that seismic shift and it may come sooner than later," he said at the Bank-

ers Committee.

"Already, remittance systems are being challenged. Blockchain technology will provide far cheaper options for the kind of fees being paid today for cross-border transfers," he said.

Osinbajo noted that, "I am sure you are all aware of the challenge that the traditional SWIFT system is facing from new systems like Ripple, which is based on the blockchain distributed ledger technology with its own crypto tokens. There are, of course, a whole range of digital assets spawned daily from blockchain technology.

"I fully appreciate the strong position of the CBN, SEC, and some of the anti-corruption agencies on the

possible abuses of cryptocurrencies and their other well-articulated concerns, but I believe that their position should be the subject of further reflection.

"There is a role for regulation here. And it is in the place of both our monetary authorities and SEC to provide a robust regulatory regime that addresses these serious concerns without killing the goose that might lay the golden eggs. So it should be thoughtful and knowledge-based regulation not prohibition. The point I am making is that some of the exciting developments we see call for prudence and care in adopting them, but we must act with knowledge and not fear," he said.

MARKETS

Small Cap stocks lead the charge so far in 2021

... Lasaco gains +357%, Champion breweries +138%

JESSICA MAURICE

Small capitalized stocks are the best performers so far in 2021 on the NGX exchange with Lasaco Insurance up a whopping 357 percent year to date and Champion breweries up some 138 percent.

The top ten best performers are made up of stocks with market capitalization mostly below the N100 billion mark.

They include Regency Assurance +118%, Cutix plc +109%, and Vitafoam up +105 percent.

On the flip end of the

scale some of the worst performers include Airtel Africa which has returned -29.4 percent, FCMB Group -9 percent, Guaranty Trust Holdco -8.50 percent and Stanbic IBTC -7.6 percent.

Stocks are currently in marking time mode as they await earnings season for the second quarter of 2021, which analysts expect to be a catalyst for any further upside.

The main Nigerian stock index the NGX All Share is down 3.98 percent this year.



THE BOTTOM LINE

Total Nigeria earnings surge back to pre-pandemic levels

BALA AUGIE

Total Nigeria Plc earnings have surged back to pre-pandemic levels as the relaxation of lockdown measures by the government kick-started the economy.

For the first six months through June 2021, the largest downstream oil player by market capitalization posted net income of N8.06 billion from a loss position of N53.18 million the previous year.

A rigorous trend analysis by MoneyCentral shows the growth at the bottom line (profit) is the highest in 4 years, very close to surpassing 2017's N8.93 billion.

As a result of strong growth in revenue, Earning Before Interest Taxation Amortization and Depreciation (EBITDA) margin increased to 10.50 percent in June 2021 from 2.20 percent the previous year.

Net profit margins moved to 5.33 percent in the period under review, the highest in four years.

It efficiently uses its resources to produce and sell products as gross profit margins increased to 16.85 percent as at June 2021, the highest in six years.

It is worth noting that Total Nigeria and peer rivals were hard hit by the economic lockdown by the government to curb the spread of the coronavirus pandemic that undermined energy prices as airlines were grounded to a halt.

The gradual reopening of international flights and lifting the sit at home order led to a rebound in crude oil price that helped the country exit the recession in the fourth quarter of 2020.

Nigeria's economy grew by 0.51 percent year on year (y/y) in the first quarter (Q1-21), higher than 0.11 percent recorded in the first quarter of (Q4) 20.

Total Nigeria's revenue has

Total Nigeria's Half-Year Financial Highlights

	2021	2020	%Change
Sales (N'm)	151,333	106,705	41.82%
Gross Profit (N'm)	25,504	12,400	105.68%
EBITDA (N'm)	15,933	2,361	574.84%
Net Income (N'm)	8,066	- 537	-1602.05%

Source: Company Financials; MC.

been largely driven by the sale of petroleum products.

Sales were up 41.82 percent to N151.33 billion in June 2021 from N106.70 billion in June 2020.

Revenue from petroleum products (the segment contributes 75.44 percent to total sales) grew by 36.13 percent to N114.04 billion as at June 2021.

TOTAL currently leads the Nigerian downstream sub-sector in market share across the various product segments. According to MOMAN market share data, as of H1-20, it had the largest share across AGO (40.9%) and Lubricants (53.0%), and second-largest market share for PMS (20.0%) and ATK (25.1%).

Interestingly, the proportion of debt in the capital structure is high compared to some five years ago, as TOTAL racked up more debt through bank overdrafts to cover working capital pressures.

The high debt level is understandable since the downstream oil business is capital intensive.

Also, the government owns operators in the subsidy arrears that undermines cash flow and

makes it practically to service interest payment on money borrowed from the banks.

Debit to equity ratio stood at 101.35 percent in the period under review, from 111.85 percent in 2020, 200.93 percent in 2019, and 31.37 percent in 2017, data gathered by MoneyCentral shows.

The Debt to Equity ratio (also called the "debt-equity ratio", "risk ratio", or "gearing"), is a leverage ratio that calculates the weight of total debt and financial liabilities against total shareholders' equity.

Total Nigeria's operating income can cover interest expenses as it has interest coverage ratio of 12.85 times, which means operating income can

cover finance cost 14.85 times.

Its net cash flow from operating activities surged by 108.41 percent to N25 billion, which means it has the financial ammunitions to pay dividend, meet both long- and short-term obligations, and fund future expansion plans.

The downstream player has been consistently paid dividends since 2006, with a dividend payout of 82.2% on average over the last 14-years, according to data from Cordros Capital.

"We expect this to continue going forward, given our view on improved earnings and cash flow generation," said analysts at Cordros Capital.

The board of directors have approved an interim dividend

of N4.00 for 2021, and that translates to a payout ratio of 16.74 percent.

While Total Nigeria is delivering higher returns to its owners, there remains other challenges to be surmounted. For instance, it would have made more money if the Nigerian National Petroleum Corporation (NNPC) was not the sole importer of refined products.

However, with the coming on stream of Dangote Refinery next year, operators in the industry will be less susceptible to foreign currency risk that has been stifling growth.

Also, the passage of the long-awaited Petroleum Industry Bill (PIB) by the National Assembly will accelerate the liberalization of the downstream industry, attract the desired foreign direct investment, and unlock potentials in the economy.

"Considering that NNPC operates a "cash and carry" model in its sale of products to the marketers, there is an added layer of pressure on the downstream companies, as they may have to incur debt (or more debt) to facilitate their transactions with the NNPC," said the analysts.

Brief History

Total Nigeria Plc (TOTAL) is a subsidiary of Total SA, a multinational energy company operating in more than 130 countries worldwide. TOTAL specialises in the marketing of petroleum products and other petroleum derivatives like lu-

bricants and bitumen. TOTAL was incorporated in 1956 and was listed on the Nigerian Stock Exchange in 1979. The parent company Total SA owns 61.7% of TOTAL's shares, while the general investing public makes up the remaining 38.3%.

Total Nigeria's Half-Year Financial Highlights

	2021	2020	%Change
Gross Margin (%)	16.9	11.6	5.30
EBITDA Margin (%)	10.5	2.2	8.30
EBIT Margin (%)	8.30%	-0.7	0.78
PBT Margin (%)	7.8	-0.50%	7.81
PAT Margin (%)	5.30%	-0.50%	0.06

Source: Company Financials; MC.

Total Nigeria's Half-Year Financial Highlights

	2021	2020	%Change
ROAE (%)	26.50%	-1.90%	28.40%
ROAA (%)	4.90%	-0.40%	5.30%
Debt/Equity (%)	101.15%	116.12%	-14.97%
EPS (N)	23.60%	-1.58%	25.18%
DPS (N)	4.00%	N/A	#VALUE!

Source: Company Financials; MC.